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FEDERAL POLICY ON TOURISM

HEARING

BEFORE THE

SUBCOMMITTEE ON FOREIGN COMMERCE AND TOURISM

OF THE

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION
UNITED STATES SENATE

ONE HUNDRED FIRST CONGRESS

FIRST SESSION

ON

FEDERAL POLICY ON TOURISM

OCTOBER 26, 1989

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FEDERAL POLICY ON TOURISM

THURSDAY, OCTOBER 26, 1989

U.S. Senate,
Committee on Commerce, Science, and Transportation,
Subcommittee on Foreign Commerce and Tourism,
Washington, D.C.

The subcommittee met at 2:00 p.m. in room SR-253, Russell Senate Office Building, Hon. John D. Rockefeller, IV (chairman of the subcommittee) presiding.

Staff members assigned to this hearing: Sally Susman, professional staff member and Gerri Hall, minority professional staff member.

OPENING STATEMENT BY SENATOR ROCKEFELLER

Senator Rockefeller. This hearing will come to order. I will make a statement, and then Senator Stevens and other Senators such as the Chairman of the full committee will be coming, as will the father of most matters in tourism, Senator Inouye, and Senator Burns.

I am very pleased to call to order the second hearing of the Commerce and Tourism Subcommittee on the subject of tourism. At the first hearing we reopened the discussion of a national tourism policy, and asked the industry to give us a status report on its health, that being predicated on the general assumption that we really had not done this overlook since 1981 in a comprehensive way.

Now there is good news, and there is bad news. The good news is that the industry is doing superbly. It is a huge contributor to this country in terms of jobs, in terms of tax revenues and export earnings.

The bad news, however, is that the industry is losing international market share and is encumbered in its growth by a proper feeling of antiquated Federal tourism policy.

In response to that hearing, I introduced a bill called the Tourism Policy and Export Promotion Act of 1989. In this bill we attempt to update our tourism policy, and we try to do so in a way that it will meet distinctly changing trends in the industry. Furthermore, we emphasize the export and trade development aspects of a national tourism policy.

I introduced this bill yesterday with the support of each and every Member of this Commerce Committee. 24 Senators in total are original co-sponsors. At the time I introduced it yesterday, I had in hand five letters from governors from around the country endorsing our efforts. The governors know that tourism is critical and incredibly important to them economically and to their states. Yet, the Federal Government has not updated our policy in nearly a decade.

The tourism industry and its 6 million workers are practically begging the Federal Government to get behind the effort to increase U.S. share of the world tourism market.

As chairman of the Foreign Commerce and Tourism Subcommittee, I am eager to turn these pleas into meaningful new public policy. While my enthusiasm drives me to want to move quickly, I also think it is important that we take the time to be certain that we are making the correct policy changes. We have gathered a group of witnesses today who are uniquely qualified to advise us on what a new tourism policy should include.

I am very grateful to Governor Waihee of Hawaii for making the longest possible trip that can be made to be here today. The governor is chairman of the Tourism Task Force of the National Governors Association. The governor and I met, in fact, in June of this year, and together we brainstormed about what we should be doing to update our national tourism policy.

Since that time, he has drafted a new tourism policy which was adopted, in fact, by the National Governors Association earlier this year. I congratulate you, governor, on your new policy, and I obviously thank you from the bottom of my heart for being here.

I am honored that Rockwell Schnabel, Under Secretary of Commerce for Travel and Tourism, is also testifying today. This is his first appearance before this subcommittee since his confirmation hearing, and I welcome him. I call him Ambassador Schnabel because he was our ambassador, in fact, in Finland for several years. From my point of view we are very fortunate to have the ambassador come to USTTA. I am grateful to the ambassador and to his staff for the help that they have given us in drafting this bill. We have worked together on this subcommittee. We work together.

We will hear from a panel of witnesses who are tourism promotion experts from various states. These people are, in fact, the foot soldiers in the battle to promote this country. We cannot enact a meaningful new tourism policy without their input, and I thank each of them for coming.

Our final witness is Mr. Cord Hansen-Sturm, who has been researching and writing and speaking on the tourism industry for nearly 20 years. Mr. Hansen-Sturm is currently with the Programs and Tourism, Travel and Transportation Management at the New School for Social Research in New York.

So I look forward to our testimony today. We are really talking about fundamental changes in our tourism policy with a strong emphasis on exports, the trade balances, and trying to give a much more aggressive tact to what we are doing.

That is the end of my statement, and I would welcome you, Senator Stevens, if you have any comments you would like to make.

Senator STEVENS. Mr. Chairman, I see my distinguished friend from Hawaii is here. Recognizing his governor's presence, I would welcome our southern neighbor, the Governor of Hawaii, and yield to my friend.

Senator ROCKEFELLER. I would point out to Senator Inouye that before he came into the room I said that he is the father of all of us, that anything good that has happened in tourism has happened only because he has been in the United States Senate. Possibly that is an exaggeration, but I am not prepared to say so.

OPENING STATEMENT BY SENATOR INOUYE

Senator INOUYE. I hope I do not look that old, Mr. Chairman. I thank you very much.

I remember those days when tourism was not the most popular subject in the City of Washington. For some reason, administrations, whether they be Democrat or Republican, never considered tourism as a viable, legitimate industry. In fact, it was always a stepchild of something. We began with a director, and now we have an Under Secretary. We are getting there, because in all other industrialized countries the person in charge of tourism is always some member of the cabinet or one of ministerial rank.

We hear much about tourism from the standpoint of income producing, but at a time when we are concerned about the environment and the atmosphere it may be well to note that of all the major industries in the United States, tourism is the least polluting of all. You do not see smokestacks. You do not see toxic waste being thrown into rivers and into the air or the atmosphere.

It is also the major provider of jobs for the most difficult to employ, the very young and the very old and women. It provides a full array of possibilities from the highest managerial post to one without any skills.

I think this is an industry that our Nation should recognize as being not only a major income producer but one that provides a service that is much needed in this world.

I believe that the United States is the only nation that does not recognize rest and recuperation as being important in our lifestyle. In European countries, they set aside certain times of the year so that whole industries go on vacation. In all of the major companies in Japan, companies set aside resort areas for their employees. That is part of the lifestyle.

Here in the United States for some reason we value those who do not take vacations. We put those men and women who work hours on end without resting as the role model. Maybe that is why we have so many Alka Seltzer and aspirin ads on television which one does not see so often in Europe.

Mr. Chairman, I thank you very much. I am pleased that we have with us the most distinguished citizen of the State of Hawaii. He, Mr. Chairman, is the first Native Hawaiian governor of the State of Hawaii.

After all these years, as we would say in Hawaii, we finally have an alii ai moku, the high chief.

John Waihee is a son of Hawaii. He literally worked his way up. He is an attorney. He was, like most of us, a rambunctious young Turk. He wanted to change Hawaii, and I think in his way he has changed Hawaii. Hawaii will no longer be the slow languishing place that many of us knew. It is a vigorous, vibrant society led by this man.

It pleases me very much to present to this committee my governor and the governor of the State of Hawaii, Hon.John Waihee.

Senator ROCKEFELLER. Governor, we welcome you, and we welcome your testimony.

Senator STEVENS. I might say, also, I am happy to see the governor of an eastern state.

Senator ROCKEFELLER. Governor, I made already one protocol mistake, a serious one. Senator Bryan was a governor, and when he was elected to the Senate he called me and said is there any way that I can get on the Subcommittee on Tourism. I, of course, having absolutely no status or rank around here whatsoever, was unable to answer that, but his enthusiasm for tourism is well known across this country.

Senator Bryan.

OPENING STATEMENT BY SENATOR BRYAN

Senator BRYAN. Mr. Chairman, thank you very much. I am delighted to be here. I commend you on your leadership in holding not only this hearing but the previous hearing. It is always good to see a former colleague of ours who chairs the Tourism Subcommittee and the National Governors Association.

I am anxious to hear this testimony, as I know the entire panel is.

I would like to make a couple of comments, if I may, Mr. Chairman.

Last month your subcommittee heard from industry representatives who confirmed what many of us already knew; that is, the tourism industry is one of the largest employers in this country and one of the largest export earners.

We also confirmed what many of us only suspected; that is, we could and should, indeed must do much more to promote this industry nationally and to increase our export earnings. Last year according to the revised USTTA numbers, the U.S. had export earnings in tourism of $37.1 billion. As impressive as that figure sounds, we also learned that we have now slipped behind Spain in earnings from foreign visitors.

Mr. President and Mr. Chairman, I applaud your leadership in introducing this legislation to enhance our international tourism efforts, and I am pleased to be an original co-sponsor of the Tourism Policy and Export Promotion Act.

I would note that if you have not previously done so, Mr. Chairman, each and every Member of the full committee is now a co-sponsor of this legislation, indicating its wide bipartisan support.

The purpose of your bill and these hearings is ultimately to determine the best way we can promote the United States as an international travel destination. Last month, a number of suggestions were made: Recognize travel and tourism as a major industry in government policy; reduce international trade barriers to travel through the GATT process; increase the USTTA budget; focus USTTA's marketing program; and coordinate U.S.-foreign commercial service and USTTA offices abroad. Your legislation, I believe, Mr. Chairman, addresses these issues.

In addition to the overriding theme of last month's hearing was the need to make our country more tourist friendly. Witnesses appearing before your subcommittee cited the lack of information for foreigners in their own language both in their country and when visiting the United States and the difficulties and long delays the tourists face in going through Customs and Immigration.

Mr. Chairman, again, I apologize for reading my statement, but I applaud your leadership.

Senator ROCKEFELLER. Senator Hollings has a statement that he would like to have included in the record.

[The statement follows:]

OPENING STATEMENT BY THE CHAIRMAN

I am pleased that the Foreign Commerce and Tourism Subcommittee is holding this hearing on our national tourism policy. From my days as Governor of South Carolina, I know the tremendous impact this industry has in my state. In fact, the tourism industry is one of the few remaining growth industries in this country and in South Carolina.

The continued healthy progress of South Carolina,s economy and tax revenues for the state and local governments has been substantially influenced in recent years by travel and tourism. It has also been influenced by the outstanding work of Mr. Bob Liming who is a witness this afternoon.

Prior to Hurricane Hugo, an 8% growth rate was projected for South Carolina's travel and tourism business in 1989, based on business activity and tax collections through August. This would have increased travel and tourism expenditures from $4.6 billion in 1988 to approximately $5 billion for 1989.

Our State and local governments have also been depending on continuous increases in tourism-generated tax revenues to help finance growth needs in public services of all kinds. The $246.6 million in 1988-89 tax revenues generated from travel and tourism was expected to increase to $266.4 million in 1989-90 and $287.7 million in 1990-91. Local governments have also been anticipating comparable 8% annual increases from the accommodations tax and other local revenues generated by travel and tourism.

The Grand Strand and Charleston areas, where Hugo's impact was primarily felt by the travel and tourism industry, account for 52% of the State's travel-tourism spending and 56% of state tax revenues and local accommodations tax revenues generated by travel and tourism.

The lives of many thousands of people are directly affected by South Carolina's travel and tourism industry, particularly in the coastal area. Travel and tourism serving businesses throughout the state provided direct employment for 97,223 South Carolinians in 1988. Nearly 55% of this employment (53,361 jobs) is attributed to travel-tourism businesses in the Grand Strand and Charleston areas where Hurricane Hugo hit hardest.

A 1987 research report by the South Carolina Employment Security Commission (ESC) showed that the travel, tourism and entertainment industry provided direct and indirect jobs for 162,850 people with payrolls totaling $1,672.9 billion. The State's coastal countries accounted for 65% of this employment (105,810 jobs) and 70% of the payroll total ($1.225 billion). The four coastal countries hit hardest by Hurricane Hugo accounted for approximately 83,451 jobs and payrolls totaling $969 million in the travel, tourism and entertainment industry.

Unfortunately, sometimes people don't appreciate a good thing until its existence is threatened. With this tourism bill before the Commerce Committee, we are saying we care about tourism. We can't run a government moving from one emergency measure to another. For these reasons and others, I support the bill before this Committee.

I am an original co-sponsor of the bill S. 1791, the Tourism Policy and Export Promotion Act of 1989. I support this bill because it focus the efforts of USTTA on those markets where we can get a strong return on our investment. I am pleased that this bill will identify foreign barriers to our tourism products. I support the proposed Rural Tourism Foundation. In conclusion, I think the Foreign Commerce and Tourism Subcommittee has produced an important piece of legislation. I congratulate Senator Rockefeller on this hearing and the Tourism Policy and Export Promotion Act of 1989.

Senator ROCKEFELLER. Governor.

STATEMENT OF HON. JOHN WAIHEE, GOVERNOR OF HAWAII, ON BEHALF OF NATIONAL GOVERNORS ASSOCIATION; ACCOMPANIED BY NORMA WONG, ADMINISTRATIVE ASSISTANT; AND DEIRDRE CURLEY, COMMITTEE DIRECTOR, INTERNATIONAL TRADE, NATIONAL GOVERNORS ASSOCIATION

Governor WAIHEE. Mr. Chairman, Members of the committee, aloha. I am very pleased to be with you today on behalf of the National Governors Association to support the Tourism Policy and Export Promotion Act of 1989.

We are all aware that it is the best team that carries the day, and I am optimistic that S. 1791 will become our new tourism banner leading us into another winning season but this time on an international playing field.

My optimism stems from the knowledge that you will be leading a formidable team. It is a source of great pride to myself that Senator Inouye has taken such a leadership role on tourism in the United States and that he is a co-sponsor along with Senator Matsunaga of this Act. They have been at the forefront among tourism leaders throughout their long and distinguished careers, extolling tourism's hard benefits long before the service economy was taken seriously.

On a personal note, I may note that your team has many distinguished members, and I would like to take note of the fact that there are a number of former governors on your team, starting with yourself, Mr. Chairman. Joining you as co-sponsors are people like Senator Bryan, who served as Chairman of the NGA Tourism Committee. Indeed, I was his Vice Chair, and he was my mentor for a couple of years in the National Association, as well as Senator Hollings, the distinguished Chairman of the Senate Commerce Committee, Senator Bond, Senator Exon, all of whom are strong supporters of tourism.

I believe that the reason these Senators and former governors are with you is that they share the firsthand knowledge from their days in the statehouse of exactly what the tourism industry means to the workers and economy of this country.

I am sure it comes as no surprise to anyone that tourism is Hawaii's number one industry, but most are unaware that in 37 states travel and tourism is one of the top three employers.

In America's dairy land, Wisconsin, tourism ranks as the second-largest employer, as it does in another well- known vacation spot, Iowa. According to statistics, in 1989, tourism was the top generator of jobs in South Carolina, surpassing even those produced by the textile industry.

In fact, tourism generated over $31 billion in 1987 in the five states represented on this committee.

In total, the travel industry generated more than five million jobs in 1988 and more than $12 billion in state tax revenues.

Recognizing the contribution the industry makes to the economic well-being, states will spend a total of $317 million this year to encourage travel and tourism.

In the context of your bill, of particular significance is the fact that the largest U.S. export in 1988 was the export of international travel services. In a time when trade issues require complicated and politically sensitive actions, international tourism offers a viable and rewarding option that brings direct benefits to individual communities.

In 1988, 34 million international visitors travelled to the United States and spent $18 billion in our communities. That is a 14 percent increase in the number of visitors over 1987, and a 22 percent increase in spending.

Mr. Chairman, at this time I would like to provide the committee with a brief overview of the National Governors Association's policy on tourism, and offer some comments on the specific details of S.1791.

Last summer, Mr. Chairman, the National Governors Association adopted an expanded and updated tourism policy. We did so partially in anticipation of this hearing today, and partially in recognition of the fact that the tourism industry has matured into a real economic development and international trade issue.

Our amended policy recognizes the importance of tourism to state diversification and rural development programs; emphasizes the need to integrate tourism programs with other federal and state economic development initiatives; calls on the Federal Government to take a lead in reducing delays at ports of entry to America and in facilitating travel of tourists from countries where language and cultural practices are different from ours; supports the visa waiver experiment currently underway which, incidentally, must be soon reassessed by Congress; recognizes that successful tourism development is dependent on sound and well-developed infrastructure.

I might divert for a few moments, Mr. Chairman. One of the key pieces of infrastructure for tourism, we have found, is the national park systems. And in Hawaii, for example, our leading attraction is Pearl Harbor National Park, and I am sure that is true throughout the states. So you cannot undervalue the importance of infrastructure to tourism.

Our policy highlights strong state interests in bilateral negotiations on international air service; supports continued appropriations for the U.S. Travel and Tourism Administration, USTTA; suggests priorities for

USTTA, including support for regional tourism initiatives, special assistance to states that do not have international gateway airports, and strengthened overseas marketing; and recommends increased coordination among federal agencies to achieve national tourism goals.

Mr. Chairman, you will see from this brief summary of our policy that the same principles, the same frustrations, the same objectives that were discussed at your September 27th hearing on the state of the tourism industry, and that have been incorporated into S.1791, can be found in the NGA policy.

We agree with you, Mr. Chairman, that now is the time to review U.S. tourism policy. We agree wholeheartedly with the fundamental concept in the bill that tourism is a vital U.S. export and should be recognized as such.

We agree with Senator Danforth that the cavalier way our guests are treated when arriving at American airports is a national disgrace. We agree with Senator Bryan on the importance of adequate air service to our tourism industry. And add that this is a matter of state as well national priority.

We agree with your concern, Senator Rockefeller, about the unspent buildup in the highway and airport trust funds, when we have such major infrastructure backlogs in this country. We agree with the parade of witnesses who said that the travel and tourism industry is consistently undervalued by federal policymakers as a factor in the U.S. economy and in our trade balance sheets.

Never has an industry that does so much for so many received so little in the way of federal recognition and support.

Now is the time to change this. And S.1791 is an excellent beginning. We have some suggestions that we believe will strengthen the Tourism Policy and Export Promotion Act of 1989. In the cooperative and friendly spirit that you consulted with us on NGA policy this past August, Mr. Chairman, I wish to offer these comments on behalf of my fellow governors.

With regard to the USTTA authorization, the USTTA has not had an authorization since 1982. The agency requires and deserves your attention. Thank you for addressing this need.

One point I think is worth making here, though, is that the levels in S.1791 do not leave much room for growth. Governors share your deep concern about the federal deficit, especially in light of our common determination to increase U.S. international competitiveness. Yet, the amount in the bill proposed for 1990, $15 million, is roughly the same amount appropriated for the agency in 1977, while the number of international tourists, alone, will have doubled in that period.

We are well aware that an authorization does not lend automatically to an appropriation. I do not think it would be fiscally irresponsible, however, to give yourselves a bit more flexibility.

Mr. Chairman, your idea of including barriers to tourism trade in the international trade estimates report on foreign trade barriers is an excellent one. Examples of such trade barriers were provided at the former hearing by Jon Linen of American Express, and was received by many governors as new news. We look forward to working with you and Ambassador Hills on this issue.

I am intrigued with the concept in the bill of a rural tourism foundation. And I want to compliment you and Senator Burns for your innovative thinking on this matter. The foundation would permit augmentation of USTTA's insufficient budget with funds from the private sector. The foundation idea incorporates the concept of private funding for tourism development put forth by the prior administration, but still permits federal appropriations for USTTA, which NGA and other supporters of the agency believe are so necessary and justifiable.

The NGA policy does not speak to the idea of a foundation, and I will have to consult with my colleagues before I can give you an official position. For example, we have a longstanding policy discouraging federal preemption of state tax prerogatives, and I need to see how my fellow governors react to the state tax exemption provided to the foundation.

In the meantime, if it would be helpful, I would offer my personal comments. I can let you know later if the governors take exception to any of the following points or wish to add any of their own.

First, including the territories and commonwealths in the foundation, I believe is very important. And I commend you for having taken this view.

Second, as long as it takes an act of Congress to set up the foundation, why limit its functions at the onset to just rural tourism? A foundation mechanism could be helpful across the tourism spectrum. And I think that a broader authorization is worthy of discussion.

The subcommittee may think it best to mandate rural initiatives as the major focus of the foundation or as the first project, but it seems a pity to screen out other public/private efforts.

Third, the foundation should in no way be seen as taking the place of a federal appropriation. It must supplement funding appropriated by Congress in order to support this important industry.

Fourth, I urge you to consider including a state representative on the board. This will bring an important perspective to the group's deliberations. Both rural development and tourism are issues that the states have been dealing with on a practical level for some time.

In regard to international visitor services, the Tourism Policy and Export Act does clarify the need for reception, language, information, currency exchange and other services for the inbound traveller. Given the concern that senators and witnesses raised about this American black eye, I suspect you are already at work on approaches the subcommittee might take to address this directly.

And the governors agree with you that we must do a better job of assisting travellers from overseas as they arrive on our shores. It is a very stubborn problem.

We are living in an increasingly global community, but we are beginners in how we deal with people from other cultures, and are amateurs in the logistics of international hospitality. A private/public partnership, and one that includes both national and state actions, is needed to approach the situation constructively.

Tourism data: We are strong supporters of improved data on exports and imports. Without them, we simply cannot identify our targets of opportunity with precision, judge our competition, or measure our past performance.

These are basic requirements for a successful strategy. Until they are met, we are operating in the dark. The omnibus trade bill called for improved data on services, and the Department of Commerce is beginning to work toward that end. Based on our experience with other data needs, monthly tourism data may be prohibitively expensive and a monthly schedule may not be essential.

You may wish to consider building on the omnibus trade bill database, supporting the effort to obtain improved services data across the board, with an emphasis on tourism development needs.

We strongly support the idea of the U.S. and Foreign Commercial Services, USFCS, assisting its sister agency in the Department of Commerce, USTTA, to further national tourism objectives. This is only sensible when tourism is our largest export to begin with.

Manufacturers and service providers must both have access to U.S. and FCS resources. Indeed, we understand that the two agencies have been cooperating in this area already.

However, in the real world, I worry about how the U.S. and FCS can really carry out this responsibility, strained as it is to meet its current mandates. Here is another agency on the forefront of American efforts to increase international competitiveness, struggling with an impossibly large workload and an impossibly small budget.

The Scenic Byways Study: Unfortunately, and I say this with a great deal of regret, NGA has no policy on the Scenic Byways Program, although we will be revising our transportation policy at our winter meeting, and will address it in the context of an overall approach to new surface transportation legislation.

I have alerted Governor Orr, the chairman of NGA's transportation committee, about your interest, and we will send her a copy of the economic activity study provision for her review.

As a personal aside, though, Mr. Chairman, I believe that the scenic byways concept makes sense for both domestic and international travellers. Chief among tourism activities is to see the country, and what better way is there to do that?

Indeed, in Nevada, in addition to gambling, which we all know about, one of the hidden treasures of visiting that state is to drive along the highways and to see the countryside in the various communities. And the same holds true for my state and many others.

So, Mr. Chairman, you can count on my support within the NGA to make those feelings known.

In closing, Mr. Chairman, I wish to thank you and the members of this subcommittee for this opportunity to speak to you about a subject vital to the interests of my state and all the states across this nation.

The governors want to work with you on the Tourism Policy and Export Promotion Act of 1989. Your team is an excellent one and we want to be a part of it. The introduction of this bill is your first hit, and we will be with you through the entire game.

I am pleased to take any questions.

[The following information was subsequently received for the record:]

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December 11, 1989

The Honorable Ernest F. Hollings
Chairman
U.S. Senate Committee on Commerce, Science and Transportation
SD 508 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Mr. Chairman:

As requested, I have enclosed responses to additional questions posed by your Committee regarding a Federal Policy on Tourism, heard on October 26, 1989.

I was sorry that you were unable to stay for the hearing, and disappointed that S. 1791 was not marked up before Congress adjourned. However, I am keenly aware of the many priorities and issues that require your attention. Your personal support is needed in 1990 for a Federal Policy on Tourism to become a reality.

Certainly the time is right for America to place an emphasis on international tourism. At the local level, we are developing the personnel and infrastructure capacity necessary for an international tourism industry. Foreign countries are lifting travel bans, or promoting travel as is the case with Japan, which has a goal of sending 10 million Japanese visitors overseas. Everywhere I have traveled, people want to "Come to America." Nevertheless, we should not overlook the fact that other countries are conscientiously competing for the same foreign visitors, as well as American visitors.

Foreign visitors spend money, add to state and federal tax coffers, create jobs, provide cultural exchange, and expose potential foreign consumers to U.S. products and services. Tourism and trade go hand-in-hand. The United States is one of the few developed countries that does not recognize and capitalize on that fact. S. 1791 begins to make that critical linkage.

Governors are keenly aware that travel and tourism is one of the top three employers in thirty-seven of our states - including South Carolina. We stand ready to work with you in the passage and implementation of this bill.

With kindest regards,

Sincerely,

John Waihee

Governor John Waihee
Vice Chairman
Committee on International Trade
and Foreign Relations

cc: The Honorable John D. Rockefeller IV
The Honorable Daniel K. Inouye

RESPONSES FROM GOVERNOR WAIHEE REGARDING QUESTIONS POSED BY SENATOR ROCKEFELLER ON A FEDERAL POLICY ON TOURISM

Question 1: I am very impressed with the statistic that the states spent $317 million this year on tourism. It is embarrassing that the federal government can only muster $14 million to promote this country. Given the massive effort being launched by the states and the budget crisis here in Washington, why should we not turn the whole promotional effort over to the states?

Response: States can and do promote specific locations. However, only the national government can "promote America." This is particularly important for cooperative promotional efforts with states and localities that are not as widely known in foreign markets, as well as for regional tourism promotion.

It is important to recognize that there is much more to tourism than promotion and marketing. Many of the issues and concerns facing the tourism industry are under federal jurisdiction, and require federal action and advocacy. These include the adequacy and capacity of airports and highways; services by U.S. Customs and U.S. Immigration Services; the impact on tourism in bilateral aviation negotiations; the inclusion of services, which may include tourism services, in multilateral trade negotiations; data collection and distribution; and the operation, maintenance and promotion of national parks and monuments as domestic and foreign tourist destinations; just to name a few. In these and other issues, tourism needs a strong federal advocate to mobilize the resources available across federal agencies and programs.

An advocate in the federal government is needed to identify these policy matters and develop responsible administration positions. USTTA is the logical place for these activities, along with the overall marketing programs.

Question 2: As you noted in your testimony, Governors, by virtue of their experience, know the importance of a dynamic tourism industry. How do we translate this knowledge in a way that is meaningful to those we need to persuade? How can we motivate the House of Representatives on the tourism issue?

Response: By concentrating on the facts and figures, which graphically demonstrate the economic impact of tourism in ways that can not be ignored. For example, the fact that there are more tourism jobs than textile jobs in South Carolina. One of the useful tourism fact sheets is the one pager put out by the Travel and Tourism Government Affairs Council, which gives state-by-state information on tourism to the economy. At the October 26 hearing, we distributed copies of the appropriate fact sheets to members of the Subcommittee.

The governors stand ready to assist in convincing members of the House that tourism is a matter of national, as well as state, priority.

Question 3: There is support for your policy of reducing delays at ports of entry to America. While we do not address it directly in S. 1791, the Subcommittee intends to have hearings on this matter in the future. How has Hawaii handled the massive influx of Japanese travelers? What have you done in Hawaii to make the Japanese feel welcome and wanted?

Response: The handling of international visitors at our ports of entry is a constant struggle to make sure there are enough facilities, sufficient customs and immigration officials, and procedures to keep red tape manageable by both federal and state officials. This is an issue that is faced by every major airport in America, and has become more acute with the increase in international travel and the states' promotion of travel and tourism.

Hawaii has had to plan for peak hour traffic, both in terms of facilities and operations. International travelers, especially those from Japan, do not arrive evenly throughout the day. There are peak arrival period that need to be handled under nearly crisis management circumstances. As you can imagine, there are substantial federal/state programmatic and jurisdictional issues that span several federal agencies. Hawaii is not alone in these serious infrastructure and personnel issues. Both states individually, and the National Governors' Association, have worked with the various federal agencies and the USTTA in resolving these issues.

With respect to your question on Hawaii's handling of Japanese travelers, on the facilities' end we are building a 1.7 million square foot international terminal that will handle 2.5 times the current number of passengers.

On the operational side, it is important for tourism industry personnel to know the customs and language of the people they are serving. It has taken nearly a decade for Hawaii's industry to build up a workforce that, in your words, knows how to "make the Japanese feel welcome and wanted." We have discovered that training programs are essential, not only in our educational institutions at all levels but within the industry itself.

By having a bilingual, bicultural work force, a state stands a better chance of keeping more of the international tourist's dollars within the state. A common criticism of international travelers is that they tend to use services provided by their own countrymen, often bypassing local businesses. Practically speaking, we can not expect otherwise if we are incapable of providing products and services that international visitors are familiar with, in the language that they speak.

Question 4: I have heard criticism from you and others that the requirement in S. 1791 mandating monthly tourism statistics should be abandoned because it is too costly. How do you suggest we elevate the country's awareness of the economic impact of this industry?

Response: First of all, my remarks were certainly not meant to be criticism of your focus on the need for hard data. If there is anything Governors are aware of, it is the need for timely, accurate data in developing policies and programs. In fact, that point is specifically made in the National Governors' Association tourism policy statement.

You point to the need for better information to "elevate the country's awareness." Not only do we need data to paint a picture of what tourism is doing for the American economy, we need data to plan training programs, put in appropriate infrastructure, target promotional and marketing programs, and implement many other activities necessary to support tourism.

With data, however, timeliness is not always synonymous with accuracy. We may have to give up monthly statistics that are fast and dirty estimates, in exchange for more accurate quarterly data. And, there may be a significant price tag attached to the bill's provisions.

While the Governors have more experience working on the improvement of trade data than we do with tourism data, we stand ready to work with you and the administration in assuring that an efficient and useful data system is put in place.

Question 5: You said that tourism is Hawaii's number one industry. Please tell us about the efforts your state makes to promote itself internationally.

Response: First of all, when we talk about international promotion, Hawaii is not only talking about Japan. In fact, the Japanese visitors currently comprise approximately 60 percent of all international visitors to Hawaii. Canada has been a strong tourist market for us, and we are beginning to develop the European market as well. Tourism promotion has yielded results for Hawaii in Australia, New Zealand, Hong Kong, and Korea.

An adjunct of the international tourism effort is recognizing that Hawaii competes with foreign destinations for American travelers. A U.S. traveler that chooses Hawaii over Mexico, the Bahamas or Tahiti helps the Hawaiian, and the American economy.

Along with a number of states, Hawaii recognizes the importance of developing separate promotional campaigns, and to dedicate a portion of the marketing budget for international markets.

One of the non-tourism efforts that generates tourism interest for us, particularly in Japan, is Hawaii's participation in various expositions and trade fairs. This is one example of the tangible linkages between tourism and trade.

A final point: the best promotion in the world will not make up for the need to overcome, compensate for, and cut down on the number of logistical difficulties that international travelers may encounter. Wherever I have been throughout the world, people still talk about "Coming to America." Whether they come or not depends on whether they can get here, how convenient their travel is, and how much it costs. The quality of their stay will determine whether they come back or not. The fact that international tourism is not only marketing and promotion cannot be overemphasized. To be competitive in international tourism, industry and government leaders must be active, for example, in bilateral aviation talks to ensure additional carrying capacity for foreign cities. International tourism also means having a sensitive and trained workforce. These and other elements are necessary in order for this industry to grow and flourish.

Senator ROCKEFELLER. Thank you, Governor, very much. And I would defer to Senator Inouye.

Senator INOUYE. Mr. Chairman, I would just like to make an observation. I was impressed by the Governor's singling out of the $15 million for fiscal year 1990 as being small and almost insignificant. I think we should see what other countries are doing at this time.

Mexico spends more money in the United States than we do in the whole world. Ireland spends more money in the United States than the Government of the United States spends throughout the world. The Japanese obviously spend more money in the United States than we do in all the world.

According to the statistics of 1985, Czechoslovakia spent $1.25 per capita to attract tourists to Czechoslovakia. At the same time, I believe we spent 6 cents per American for the same purpose.

And finally, there are more Soviet offices in United States than we have offices throughout the world.

Senator ROCKEFELLER. Well, with that cheerful news I will call on Governor Bryan.

Senator BRYAN. Mr. Chairman, it is always good to see my good friend and former colleague and knowing that the subcommittee is in capable hands under his leadership. We appreciated your comments, Governor, and we will certainly take them to heart in terms of fashioning this bill. It has wide bipartisan support, as is obvious here, and we want to work with the governors understanding from your perspective its importance to the respective economies of all of our states.

I think there is an opportunity for a partnership there, as you suggest, and in my judgment the federal government has not been performing its role, and a number of us on this committee, as Senator Inouye just indicated, feel there is considerable room for improvement, and we want to be part of that, so we look forward to working with you.

And I thank you, Mr. Chairman.

Governor WAIHEE. Thank you, Mr. Chairman.

Senator ROCKEFELLER. Senator Burns is another very, very strong supporter of tourism, and he came in just as you were about to begin, and I did not give him a chance to make whatever opening statement he might want to and also to question you in any way that he might want to.

OPENING STATEMENT BY SENATOR BURNS

Senator BURNS. Mr. Chairman, I rise today to enthusiastically support the Tourism Policy and Export Promotion Act of 1989 which I am proud to cosponsor along with many of my distinguished colleagues. I want to thank them for their support in this tremendously important bill.

My distinguished colleague Senator Rockefeller and I have joined forces to amend the 1981 National Tourism Policy Act with the idea that there has to be support shown for the rural areas in this great country of ours.

When we consider the $37.1 billion this country received from international tourism revenue last year and the $323 billion received from travel and tourism overall it appears to me that it's high time this Congress and this country had better take the business of tourism seriously.

The figures show us that in tourism export dollars ranked slightly ahead of agriculture in 1988. With the concerns we have today with balancing the Federal budget without spending more money we need to look long and hard at areas of business that have obvious potential for lowering our deficit. Tourism is just that kind of business. This industry already exists. It doesn't have to be created. It's not controversial. It spans a wide territory in terms of the types of businesses it involves. It's nonpolitical and it can be sold to people from all over the world.

We do a large export business now, but we are barely tapping the edge of our potential market according to those doing the research. There is a big vacuum in our rural tourism market today. And that vacuum is what we are here to address today.

We the Congressmen and businessmen of the United States can no longer ignore the monumental significance that tourism plays in the U.S. economy. Tourism is the 2d leading industry that this country boasts. It concerns me greatly that this business that plays such a vital part of our country's welfare is taken so lightly. If we were talking about the steel industry or agriculture for that matter you can bet that we would all sit up and take notice when our leaders began to talk about anything that affects its growth and support. Tourism, however, is related to being on vacation. Being on vacation is related to fun and a lack of seriousness. What seems to be missing in our consciousness is that being on vacation is for the tourist. Being in the tourism business is what we're talking about today. This business has to be taken seriously. We the Congress must recognize it for the large and important industry that it is by giving it the support that will effectively assist its growth and continued success. It appears that tourism has done quite well thus far without a lot of concentrated support from the Congress. If we were to take a more serious assistance role with tourism I believe that we would be able to blow the roof off of our export numbers.

Tourism is the conduit between all countries in this world we live in. It allows learning, communication, and the privilege of sharing with others the resource of freedom of democracy that we are so fortunate to hold in this great country.

However, when we welcome our visitors from the foreign shores we should encourage them to see the heartland of America as well as our shoreline States. All of America is not represented in the large cities of this country. There is another part of this great country that most foreign visitors never see and that is the great lands of Montana, Wyoming, Idaho, New Mexico, Georgia, Indiana, and all the other great States in this country that don't sit on the coast where most visitors are sent by their travel agent.

Unless we as a country make a commitment to the tourism industry to support their efforts to attract the foreign visitor to the rural areas of this country the foreign visitor may never venture into the country that is the home of so many us. Rural American tourism needs our support and I feel strongly that this is one way to start the ball rolling to bring the tourism dollar to the heartland of America.

It is with great pleasure that I support this bill and I would like to thank all of my distinguished colleagues for their support as well.

Thank you Mr. Chairman.

Thank you, Mr. Chairman. I will apologize for being late. I did not get to hear the Governor's testimony, but I just want to reiterate some of the provisions in this bill to get the private sector involved with the government in investing in tourism—a sensible approach. Not only is the private sector the beneficiary of tourism, but the government is a secondary beneficiary, and I think that is the way things should work.

I would just like to ask the governor, here we are running around in a business which worldwide is generating over $300 billion, $340 billion. In the United States we have only captured about $37 billion of that. That is just a freckle over 10 percent, and I think we could be better salesmen than that if we just had the wherewithal to get it done.

I would like to ask you what does the state of Hawaii do other than having Hawaii Five-O and United Air Lines do your promotion for you, which is wonderful. Lonesome Dove is the only thing that has done Montana any good.

And then he went up there and died.

Do you know what your state budget is, what your budget for your tourists and tourism is?

Governor WAIHEE. We have budgeted in this biennium $21 million annually to promote tourism for Hawaii. That is $15 million of which we give to a quasi-public-private organization called Hawaii Visitors Bureau, and $6 million of which we spend on direct state initiatives.

The debt needs to be clarified by noting that $21 million comes from a hotel room tax from which we generate $75 million each year. So, it is good business to go back and support the business that you have.

The main thing, though, for us, Senator, is that we have a good product to sell. It is not hard to sell. You just need to get the message out there and get people interested in it.

The same holds true for this country. Wherever I travel around this world, in the Far East or in Europe, people want to come to America. There is no country that you hear so much about, so much interest in as you do for this country.

So, we begin with a reservoir of good will that somehow we are not connecting up to opportunity. And for us, promotion takes the part obviously of generically promoting Hawaii. The same can be done for America, but it also takes some strategic promotions demonstrating that it is accessible to get to Hawaii or accessible to get to America. You know, the ease of getting through, of facilitating, of jumping barriers, of distance and so forth. I think that is the way we do it in Hawaii, and I know that many other states are doing that as well because they seem to be our competitors. And this great country could benefit from all of that activity.

Senator BURNS. I did not know until my last trip to Hawaii that you skied there.

Governor WAIHEE. Yes, we do.

Senator BURNS. I know that, and you are in competition with Montana and are meddling, you see.

Governor WAIHEE. But there are a lot of people to go around, Senator.

Senator BURNS. You know, you are exactly right. I happen to believe in tourism not only as a generator of an economic factor, but as a way to get the interaction of peoples around the world. That is the reason that I want to see these people come to the heartland of America because if I hear anything when I travel—and I have been all the way around the world as a tour guide—and that is a lot of fun, trying to hang onto 36 people and 72 bags and keep them all in the same vehicle. If there is one thing you learn, it is that the interaction of people is such that everybody wants authenticity.

They do not want to just go to Disneyland or Knotts Berry Farm—not that these are not great attractions, because I have been there, and I have enjoyed them very much, too. But they want to go to the West Virginias, they want to go to the heartland, they want to see the real people, the people that carry the dinner buckets, that drive the tractors, that really make this country hum, and that is why we have to attract more people into the heartland of our country because if there is anything, they say, it is that they want to see authentic things.

That is a part of our heritage, a part of our culture. Then, if you will notice, when we travel, we like the same things. There are only so many museums, right? Right. You want to get with the authenticity of the countries and taste the flavor of the countries.

So, I think with the private sector and putting some emphasis on selling America, and the heartland of it, we have a great deal to offer.

You folks in Hawaii, not only do you send us good Senators, but you also do your job in tourism very well, and you are to be congratulated for it.

Thank you, Mr. Chairman.

Governor WAIHEE. Thank you.

Senator ROCKEFELLER. Governor, one of the frustrations that I find in all of this is trying to get our people in this country to understand that attracting people from other countries to come here is, in fact, exporting because it seems to me anti-logical, does it not, that each individuals who comes here, in fact, is like a package that we export because, of course, they spend money here, and that exports in terms of trade surpass even agriculture. I mean, it is just gigantic.

So, that is part of the thrust of this bill, to make people recognize that tourism is a heavyweight, not only because of the amount of its impact in our own economy, but the fact that it is a major player in international trade, and that sometimes makes people look at things in a different way.

So, that is one of the reasons, you know, getting into the national trade estimate is important. I am very respectful of your testimony, and you may very well be right, but you indicate that reporting on a monthly basis could be too costly and, indeed, if you are right, it should not be. And the bill, because we have so little money to spend that we cannot afford to do it wrongly.

How do you recommend other ways that we can drive home to Americans that tourism is not just a nice thing to do, but that tourism is fundamentally major business, that it is right up at the top of the line in terms of international trade, trade deficit, trade surplus.

We have a trade surplus right now on tourism, but it may be dipping down. Some people say it is going to come up. Right now it is just about 2.9 billion, but it is big. It is really big stuff. How do you do this in Hawaii?

Secondly, how do you make people—your state is multi-racial, multicultural, just like New York and like a lot of other ports of entry. How do you make people welcome when they come in signage in terms of making entry easy, the courtesies, right to whether you make them take a porter or make them take a taxi? How do you do all of that?

Governor WAIHEE. First of all, I think the key to getting an understanding of the importance of the travel industry is obviously data. We need good data.

The bill's purpose, to secure that data, is very important. By the way, in addition to the cost, monthly data may not be something we want to see because data also needs to be accurate, and there is a tendency for quick reports to need to be revised.

In any event, good data, current data, is necessary. I think indeed, if people understand the impact of tourism on their various states, you would get a different reaction from the community.

I just happen to have a fact sheet here with me that indicates, for example, that travel and tourism is the second largest employer, at least it was in 1987 in Montana. This is a very important industry to the people of Montana. All too often this kind of data was not available to the states, to the leadership, and to the people in general.

In Hawaii, for example, we know that tourism is important, but it never hurts us from time to time to remind our people of the importance, the actual importance of that tourist dollar and what it means to all and its multiplier effect on all the other businesses in the state.

Indeed, the senator a couple of years ago participated in a major campaign to heighten the awareness of our own people on the importance of tourism because it is important that the people of a state get behind the idea that this is a good thing to do.

Visitors like to be welcome, and we need from time to time to remind ourselves of their importance, even in Hawaii. I think it is also important that in the development of tourism that we understand the uniqueness of each state and our own cultural sensitivities.

One way that Hawaii has been able to have the success that it presently enjoys is that it has seen tourism as a way of strengthening the native Hawaiian culture. Whenever we deviate from that point of view, we run into problems in our industry. Whenever we get back to that policy, the industry, in fact, gets strengthened.

Whenever we get to the point of view that the environment is not important, it impacts on tourism. So, when we get back to preserving our wilderness areas, our scenic byways and so forth, it improves our industry. So, I think education then takes place in two ways, one, through the citizenry of this country to know the importance of this industry and, two, to the industry itself to know how important it is for our own citizens to be comfortable with the travel industry.

And the way that they are comfortable with it, is because the industry supports community objectives. When that happens, people then get a chance who are traveling to see the authenticity that they are looking for. The processing and the logistics of handling major amounts of travelers are always difficult, and there are particular problems with countries.

For example, the travelers that we see from Japan tend to all come at the same time of the day. They come in the morning because of the fact that culturally everybody works until the last minute, catches a plane at night, and then goes on their vacation to arrive at in Hawaii at the morning. That makes for peak problems at our airports.

The only way that I know of that that can be done is to improve the processing. We have been successful with the help of our members of Congress and with many others of you in increasing integration and customs staffs.

We are also in the process of building an entirely new international arrival area, which will double our capacity in the future.

Also, another key in this area is the impact that the bilateral aviation negotiations have and how we schedule and destinations that we schedule for in our agreements.

By the way, Senator, those negotiations are occurring in Japan again next week, and this is something that I am sure we are following and that many other states want to follow as well.

They tell me that one new airline route from Japan to Hawaii, according to USTTA, I mean to anywhere in this country, not just to Honolulu, but to anywhere is worth about $1 billion in our export trade.

Now, that kind of connection is very seldom made unless you have the data to give out. So, we are back full circle.

The hard facts are essential to really selling this program.

Senator ROCKEFELLER. Are there any more questions of the governor?

Governor, I want to thank you first for your support of this bill, for your comments as to ways that it could be improved. I am enormously grateful to you for your taking your personal time to be here not only as the governor of probably the premier state in terms of being known for tourism, but also the fact that you are the chair of the committee in the National Governors Association, so that is very important.

It is a very important political ingredient for us, and it is helps us a great deal in getting this bill moving forward.

So, I thank you very much, and I thank you for taking the time and the trouble to be here. Thank you.

Governor WAIHEE. Thank you, Senator, and thank you, members of the committee. We are the premier state reaching up there to reach Nevada's levels some day.

Senator ROCKEFELLER. Ambassador Schnabel, we are, as I said earlier, very happy and I personally am very happy that you are our new USTTA Director. You have so much to bring to this job. You and I have had a number of conversations. You are crucial to us.

As I indicated, this subcommittee tries to work—does work and over the years has worked very closely with USTTA. We want things to work for you. We want to be helpful to you, to make your job easier, so we are glad that you are here and we look forward, sir, to your testimony.

STATEMENT OF ROCKWELL A. SCHNABEL, UNDER SECRETARY OF COMMERCE FOR TRAVEL AND TOURISM, DEPARTMENT OF COMMERCE

Ambassador SCHNABEL. Thank you, Mr. Chairman. I would like to respond to your remark. I, also, am very delighted to be in the job, which started about eight months ago with my confirmation in August. I am still in the learning process because I have found that the business of tourism, indeed, is much, much, larger than I, too, had realized before I became acquainted with it better.

Mr. Chairman and distinguished members of the Subcommittee, thank you for the opportunity to appear before the Committee today and discuss the Department's preliminary views on S. 1791, the Tourism Policy and Export Promotion Act of 1989.

Let me also take a moment to commend you, Senator Rockefeller and other members of the Committee, for opening up this dialogue on the critical issues facing the tourism industry today. We are very appreciative of your efforts to highlight the importance of the industry, as an industry within the United States. It totals, as has been mentioned, some $300 billion plus a year.

Tourism is equally important to this Administration. President Bush, Vice President Quayle, Secretary Mosbacher and I strongly support our travel and tourism industry. Tourism is essential to the national interest. Increased tourism revenues are critical to our economic well-being, and of course to the balance of trade.

With your permission, Mr. Chairman, I would like to submit a statement for the record and summarize my remarks.

In the interest of time, let me highlight the reasons why we believe tourism is so very important and then briefly touch on some of the key issues raised in S. 1791.

The travel and tourism industry is a major source of U.S. job opportunities and of income as Senator Inouye mentioned. This is particularly true in the area of the difficult to employ—the minorities and also the women of this country. Tourism is a leading generator of Federal, state and local tax revenues, totalling some $40 billion per annum.

If viewed as a single retail industry, in 1988 it was the third largest in terms of sales and the second largest private employer in the country, contributing five-and-a-half-million jobs directly and two and a half million jobs indirectly. This year, we are forecasting a trade surplus in tourism for the first time in a long time in excess of $1 billion.

The legislation before the Committee today amply states all of the statistics indicating the vitality of the travel and tourism industry in this country. This Committee is well aware, Mr. Chairman, that travel and tourism is all pluses and has very few negatives. It is hard to say that about many other industries.

Your legislation also recognizes that tourism has positive economic benefits for our country as income is redistributed from nation to nation, and throughout our own Nation.

There can be benefits to each community of the United States, including the more remote areas, as tourism-generated income often flows from affluent urban and suburban areas to service providers in rural communities ranging from West Virginia to Montana, to Nevada, Hawaii and Alaska, not to forget about the Dakotas, Texas and California.

Tourism stimulates the growth of business opportunities in the so-called feeder industries as well, such as agriculture or construction; at the same time, it capitalizes on our ability to turn natural features such as mountains or rivers, into income-producing assets.

Let me turn to my comments on S. 1791. At the outset, Mr. Chairman, let me underscore that the Administration has not yet completed its review of the bill, thus I am not able to present a bottom-line position on the legislation today. However, I will touch on the many provisions which we feel have very strong merit. In our spirit of an ongoing, open dialogue with you we would be glad to discuss with the Committee members and staff our concerns.

In summary, section 3 in essence would clarify that the United States Travel and Tourism Administration's number one goal is to increase and sustain U.S. export earnings from U.S. tourism and transportation services traded internationally.

We recognize that the language of this International Travel Act at the moment is unclear on this subject. The national goal articulated by section 3 would prescribe USTTA's mission as increasing U.S. export earnings from tourism.

Section 6 would direct USTTA to concentrate its export expansion efforts in those countries with the greatest potential for increasing travel and tourism export revenues. Section 6 places heavy emphasis on the eliminating the trade deficit of the United States and achieving and maintaining a travel and tourism export surplus. As I mentioned, we are looking forward to the possibility of a surplus this year in excess of $1 billion. Next year, we are actually projecting something closer to $3 billion.

We fully concur that USTTA's resources should be concentrated where they will generate the greatest return in reducing the U.S. trade deficit as a whole. We must target those countries such as Japan, West Germany, the U.K., and Korea, which demonstrate the greatest potential for increased tourism receipts.

In 1988, Japan accounted for more than $50 billion of the U.S. merchandise trade deficit, and at the same time Japan ranked as this country's top international tourism market in terms of receipts generated and surplus earned. We actually had a surplus of some $4-and-a-half billion.

Section 8 of S. 1791 would establish a charitable, nonprofit rural tourism foundation to work with USTTA in the promotion of rural tourism. We think that this is a very innovative approach which could be an effective way of providing for the promotion of rural tourism without the need for new Federal funds. This would be something like the National Park Foundation, which I understand is in place and is successful.

The objective of the foundation is to assist in the promotion of rural tourism. As the Committee may know, USTTA has just transmitted to the Congress a study on rural tourism and on small business development. I have a copy of that study with me and I would like to make it available to the Committee.

Senator ROCKEFELLER. Thank you.

Ambassador SCHNABEL. The study, which is under the Administration's review at the present time, revealed a need for a national policy on rural tourism development, of which promotion is just one aspect. We would therefore like to suggest that, to the extent resources permit, the foundation be authorized to engage in all aspects of rural tourism development, including such areas as education and research.

Finally, Mr. Chairman, section 9 of the bill would authorize a study of the economic effects associated with scenic byways. Assuming that the study can be done in-house by people who are with the agency at the moment, we would very much endorse that.

In conclusion, Mr. Chairman, we believe that S. 1791 would help create broader recognition of tourism's contributions to the Nation's export revenue, as well as to its status as a major industry.

I have learned, in the brief period that I have been there, that the awareness level of tourism in general is very, very low—the awareness level of the importance of the industry—so I think the bill will greatly assist in addressing that problem and recognizing the contribution that the industry makes to the country.

Mr. Chairman, I would like to assure you and the Subcommittee of our willingness to work together to arrive at an enrolled bill that the President will be pleased to sign into law.

Thank you very much.

[The statement and questions and answers follow:]

STATEMENT OF ROCKWELL A. SCHNABEL, UNDER SECRETARY OF COMMERCE FOR TRAVEL AND TOURISM, DEPARTMENT OF COMMERCE

MR. CHAIRMAN. DISTINGUISHED MEMBERS OF THE SUBCOMMITTEE.

I APPRECIATE THIS OPPORTUNITY TO APPEAR BEFORE YOU TODAY TO DISCUSS S. , THE "TOURISM POLICY AND EXPORT PROMOTION ACT OF 1989". THE ADMINISTRATION HAS NOT YET COMPLETED ITS REVIEW OF THE BILL AND DEVELOPED A POSITION, BUT WE ARE PLEASED TO PRESENT THE UNITED STATES TRAVEL AND TOURISM ADMINISTRATION'S (USTTA'S) PRELIMINARY COMMENTS ON SOME OF THE BILL'S PROVISIONS. AS SOON AS THE ADMINISTRATION'S REVIEW IS COMPLETED AND A POSITION DEVELOPED, WE WILL SEND THE SUBCOMMITTEE A FORMAL LETTER OF REPORT.

THE BILL WOULD AMEND THE INTERNATIONAL TRAVEL ACT OF 1961 WHICH WAS LAST REVISED IN 1981 WHEN THE NATIONAL TOURISM POLICY ACT WAS ENACTED. AS WE LEAVE THE DECADE OF THE 1980'S, IT IS ESSENTIAL THAT WE ALL TAKE A HARD LOOK AT THE INTERNATIONAL TRAVEL ACT TO ENSURE THAT IT WILL APPROPRIATELY PROMOTE THE NATIONAL INTEREST IN THE DECADE OF THE 1990'S.

NATIONAL GOAL

SECTION 3 OF THE BILL, IN ESSENCE, WOULD CLARIFY THAT THE UNITED STATES TRAVEL AND TOURISM ADMINISTRATION'S (USTTA'S) NUMBER ONE GOAL IS TO INCREASE AND SUSTAIN U.S. EXPORT EARNINGS

FROM U.S. TOURISM AND TRANSPORTATION SERVICES TRADED INTERNATIONALLY. WHILE THIS REALLY HAS BEEN OUR GOAL FROM THE BEGINNING, THE LANGUAGE OF THE INTERNATIONAL TRAVEL ACT BUT NOT ITS LEGISLATIVE HISTORY IS UNCLEAR ON THIS POINT. THE NATIONAL GOAL ARTICULATED BY SECTION 3 WOULD MORE PRECISELY REFLECT USTTA'S MISSION OF INCREASING U.S. EXPORT EARNINGS FROM TOURISM BY EXPANDING THE NUMBER OF FOREIGN MARKETS IN WHICH EXPORTING STATES, CITIES AND FIRMS ARE ACTIVE, BY ACTING AS A COORDINATOR, FACILITATOR, AND CATALYST TO INCREASE THE NUMBER OF STATES, CITIES AND COMPANIES IN THE UNITED STATES THAT SELL THEIR TOURISM SERVICES IN THE INTERNATIONAL MARKET.

SECTION 3 RECOGNIZES THAT THE TRADE DEFICIT IS A NATIONAL PROBLEM THAT MUST BE ADDRESSED STRATEGICALLY AT THE NATIONAL LEVEL; IT IS NOT SOLELY A STATE OR MUNICIPAL PROBLEM, OR ONE THAT OCCURS AT THE INDIVIDUAL COMPANY LEVEL. SECTION 3 MAKES CLEAR THAT THE NATIONAL RESPONSE TO THE TRADE DEFICIT MUST BE A COOPERATIVE ONE AND THAT TOURISM IS A NECESSARY PART OF THAT RESPONSE.

MONTHLY PUBLICATION OF INTERNATIONAL TOURISM TRANSACTION DATA

SECTION 4 OF THE BILL WOULD REQUIRE THE SECRETARY OF COMMERCE TO PUBLISH U.S. INTERNATIONAL TRAVEL RECEIPTS AND

PAYMENTS DATA ON A MONTHLY BASIS. TOURISM RECEIPT AND PAYMENT DATA AND OTHER SERVICES TRANSACTION STATISTICS ARE CURRENTLY REPORTED BY THE DEPARTMENT OF COMMERCE'S BUREAU OF ECONOMIC ANALYSIS IN THE BALANCE OF PAYMENTS ON A QUARTERLY BASIS. MERCHANDISE TRADE DATA ARE CURRENTLY REPORTED ON A MONTHLY BASIS.

WHILE THIS WOULD APPEAR TO SUGGEST THAT THE DEPARTMENT ASSIGNS LESS PRIORITY TO SERVICE INDUSTRIES SUCH AS TOURISM THAN TO THE GOODS-PRODUCING SECTOR, THE TRUTH IS THAT INTERNATIONALLY-TRADED SERVICES LEAVE NO PAPER TRAIL AND SERVICES SALES ARE MUCH MORE DIFFICULT TO DOCUMENT THAN GOODS EXPORTS. IN ADDITION, PROMPTLY REPORTED QUARTERLY DATA ARE SUFFICIENT TO SHOW TRENDS IN RECENT DEVELOPMENTS.

WE OBTAIN INTERNATIONAL TOURISM RECEIPT AND PAYMENT DATA VIA AN INFLIGHT PASSENGER SURVEY CONDUCTED BY USTTA WITH THE VOLUNTARILY COOPERATION OF APPROXIMATELY 40 INTERNATIONAL AIR CARRIERS AND FROM THE CANADIAN AND MEXICAN GOVERNMENTS.

REQUIRING MONTHLY REPORTING WOULD NECESSITATE INCREASING THE SAMPLING FRAME OF THE INFLIGHT SURVEY. ADDITIONAL CONTRACTUAL SERVICES AND IN-HOUSE STAFF RESOURCES WOULD BE NECESSARY. THUS, A MONTHLY REPORTING REQUIREMENT WOULD HAVE SIGNIFICANT INCREASED BUDGETARY IMPLICATIONS WITH RESPECT TO THE INFLIGHT SURVEY PROGRAM THAT WE COULD ILL AFFORD AT THIS TIME.

AT PRESENT, DATA ON U.S. RECEIPTS FROM CANADIAN AND MEXICAN VISITORS AND ON PAYMENTS BY U.S. RESIDENTS FOR TRAVEL SERVICES PURCHASED IN CANADA AND MEXICO ARE OBTAINED FROM STATISTICS CANADA, A DEPARTMENT OF THE CANADIAN GOVERNMENT, AND THE BANCO DE MEXICO. WE TRADE DATA WITH THEM TO AVOID THE EXPENSE OF CONDUCTING OUR OWN SURVEY TO COLLECT THESE COUNTRY-SPECIFIC DATA. BOTH STATISTICS CANADA AND THE BANCO DE MEXICO ISSUE THEIR DATA ON A QUARTERLY BASIS. IF MONTHLY REPORTING WERE REQUIRED, THE CANADIAN AND MEXICAN GOVERNMENTS WOULD HAVE TO CHANGE THEIR SYSTEMS OF COLLECTING AND REPORTING TOURISM RECEIPT AND PAYMENT DATA, AND IF THEY AGREED TO DO SO, THEY WOULD INCUR SIGNIFICANT INCREASED EXPENSES WHICH UNDOUBTEDLY THEY WOULD HAVE TO CHARGE US FOR.

IN VIEW OF THE SIGNIFICANT INCREASED COSTS TO ALL INVOLVED, AND BECAUSE WE BELIEVE IT IS MORE IMPORTANT TO IMPROVE SERVICE DATA ON A QUARTERLY AND ANNUAL BASIS, RATHER THAN TRY TO DEVELOP MONTHLY DATA, WE ARE OPPOSED TO SECTION 4.

NATIONAL TRADE ESTIMATES REPORT

LET ME MOVE ON TO SECTION 5 WHICH WOULD REQUIRE THE U.S. TRADE REPRESENTATIVE TO COMPILE AND INCLUDE BARRIERS TO INTERNATIONAL TOURISM IN THE ANNUAL NATIONAL TRADE ESTIMATES

REPORT. AS WE UNDERSTAND IT, SUCH BARRIERS CURRENTLY ARE NOT ROUTINELY AND COMPREHENSIVELY COVERED IN THE REPORT.

ALTHOUGH THE DEPARTMENT WOULD HAVE NO OBJECTION TO THE INCLUSION OF SUCH BARRIERS IN THE REPORT AND WOULD BE PLEASED TO ASSIST THE OFFICE OF THE U.S. TRADE REPRESENTATIVE IN THIS TASK, I DEFER TO THE U.S. TRADE REPRESENTATIVE ON THIS PROVISION.

FOCUSING OF USTTA'S EXPORT EXPANSION EFFORTS AND TRAVEL AND TOURISM ADVISORY BOARD APPROVAL OF ANNUAL MARKETING PLAN

SECTION 6 WOULD REQUIRE USTTA TO FOCUS ITS EXPORT EXPANSION EFFORTS ON THOSE COUNTRIES WITH THE GREATEST POTENTIAL FOR INCREASING TRAVEL AND TOURISM EXPORT REVENUES AND REQUIRE THE SECRETARY TO OBTAIN THE APPROVAL OF THE MAJORITY OF THE TRAVEL AND TOURISM ADVISORY BOARD (TTAB) BEFORE TRANSMITTING USTTA'S ANNUAL TOURISM EXPORT EXPANSION PLAN TO THE CONGRESS.

SECTION 6 PLACES HEAVY EMPHASIS ON "THE ELIMINATION OF THE TRADE DEFICIT OF THE UNITED STATES" AND "ACHIEVING AND MAINTAINING A TRAVEL AND TOURISM EXPORT SURPLUS." WE FULLY CONCUR THAT USTTA'S RESOURCES SHOULD BE CONCENTRATED WHERE THEY WILL GENERATE THE GREATEST RETURN IN REDUCING THE U.S. TRADE DEFICIT AS A WHOLE. WE MUST TARGET THOSE COUNTRIES -- SUCH AS

JAPAN -- WHICH DEMONSTRATE THE GREATEST POTENTIAL FOR INCREASED TOURISM RECEIPTS.

IN 1987, JAPAN ACCOUNTED FOR NEARLY $60 BILLION OF THE U.S. MERCHANDISE TRADE DEFICIT. AT THE SAME TIME, JAPAN RANKED AS THIS COUNTRY'S TOP INTERNATIONAL TOURISM MARKET IN TERMS OF RECEIPTS GENERATED AND SURPLUS EARNED. WE ACTUALLY HAD A TRAVEL SURPLUS WITH JAPAN OF MORE THAN $3 BILLION.

REGARDING A REQUIREMENT THAT A MAJORITY OF THE TTAB MUST APPROVE THE PLAN BEFORE THE SECRETARY CAN SUBMIT IT TO THE CONGRESS, WE MUST STRONGLY OBJECT.

MEMBERS OF THE TTAB ARE APPOINTIVE OFFICIALS WHO ARE NEITHER COMMISSIONED BY THE PRESIDENT NOR CONFIRMED BY THE SENATE. THEY ARE NOT ACCOUNTABLE FOR AGENCY POLICIES, PROGRAMS OR FISCAL MANAGEMENT. THE TTAB'S FUNCTION IS ADVISORY ONLY AND IT WOULD BE ENTIRELY INAPPROPRIATE TO REQUIRE THE SECRETARY TO OBTAIN ITS APPROVAL AS A CONDITION OF SUBMITTING ANY DOCUMENT TO CONGRESS.

COORDINATION WITH THE U.S. AND FOREIGN COMMERCIAL SERVICE

SECTION 7 WOULD REQUIRE THE SECRETARY TO ENSURE THAT THE U.S. AND FOREIGN COMMERCIAL SERVICE (US&FCS) MAKE ITS

FACILITIES AVAILABLE TO USTTA AND WORK WITH USTTA TO INCREASE U.S. EXPORT RECEIPTS FROM INTERNATIONAL TOURISM, PRIMARILY IN MARKETS WHERE USTTA CANNOT AFFORD A PRESENCE.

MR. CHAIRMAN, I AM PLEASED TO REPORT THAT COORDINATION WITH THE FOREIGN COMMERCIAL SERVICE COMPONENT OF THE US&FCS IS WELL DEVELOPED IN MOST MARKETS, EVEN THOSE IN WHICH USTTA MAINTAINS A PRESENCE.

WE HOPE TO DEVELOP ASSIGNMENT INTERCHANGE OPPORTUNITIES WITH THE FOREIGN COMMERCIAL SERVICE. THIS WOULD FACILITATE THE CROSS-TRAINING OF PERSONNEL AND PERMIT TOURISM EXPORT EXPANSION EFFORTS TO BE CONDUCTED WITH GREATER EFFECTIVENESS WITHIN A GREATER NUMBER OF HIGH POTENTIAL MARKETS. GIVEN THE FULLY SATISFACTORY RELATIONSHIP BETWEEN USTTA AND US&FCS, WE SEE NO NEED FOR SECTION 7.

RURAL TOURISM FOUNDATION

SECTION 8 WOULD CREATE A CHARITABLE, NON-PROFIT RURAL TOURISM FOUNDATION TO FACILITATE PRIVATE/PUBLIC PARTNERSHIPS TO PROMOTE RURAL AMERICA AS A DESTINATION FOR FOREIGN VISITORS. THIS WOULD BE SIMILAR TO THE NATIONAL PARK FOUNDATION. THIS INNOVATIVE APPROACH COULD BE AN EFFECTIVE WAY OF PROVIDING FOR

THE PROMOTION OF RURAL TOURISM WITHOUT THE NEED FOR FEDERAL FUNDS.

WHILE THE ADMINISTRATION HAS NOT YET DEVELOPED A POSITION ON SECTION 8, WE WOULD LIKE TO OFFER TWO NEEDED CHANGES WHICH IMMEDIATELY COME TO MIND.

THE FOUNDATION WOULD BE GOVERNED BY A BOARD OF DIRECTORS CONSISTING OF AT LEAST FIVE FEDERAL MEMBERS AND TWELVE PRIVATE CITIZENS, AT LEAST SIX OF WHOM WOULD BE REQUIRED TO HAVE EXPERIENCE AND EXPERTISE IN TOURISM TRADE PROMOTION, RESOURCE CONSERVATION OR FINANCIAL ADMINISTRATION IN A FIDUCIARY CAPACITY.

IT IS IMPORTANT THAT THE BOARD BE MANAGEABLE AND TWELVE PRIVATE CITIZENS ARE PROBABLY TOO MANY. THE ANNALS OF PUBLIC ADMINISTRATION ARE REPLETE WITH EXAMPLES OF LARGE BOARDS WHICH HAVE BEEN UNABLE TO REACH CONSENSUS, AGREE ON MEETING TIMES OR IN SOME CASES, MUSTER A QUORUM.

MR. CHAIRMAN, I SUGGEST THAT THERE BE SIX PRIVATE CITIZEN MEMBERS ON THE BOARD AND THAT THE TERMS OF BOARD MEMBERS COINCIDE WITH THE TERM OF OFFICE OF THE PRESIDENT AND BE OF FOUR YEARS' DURATION.

THE OBJECTIVE OF THE FOUNDATION WOULD BE TO ASSIST IN THE "PROMOTION" OF RURAL TOURISM. AS THE COMMITTEE MAY KNOW, USTTA JUST TRANSMITTED TO THE CONGRESS A STUDY ON RURAL TOURISM AND SMALL BUSINESS DEVELOPMENT. THE STUDY, WHICH IS UNDER ADMINISTRATION REVIEW, REVEALED A NEED FOR A NATIONAL POLICY ON RURAL TOURISM DEVELOPMENT, OF WHICH PROMOTION IS JUST ONE ASPECT. THEREFORE, WE WOULD LIKE TO SUGGEST THAT, TO THE EXTENT RESOURCES PERMIT, THE FOUNDATION BE AUTHORIZED TO ENGAGE IN ALL ASPECTS OF RURAL TOURISM DEVELOPMENT AND NOT JUST RURAL TOURISM PROMOTION.

TOURISM DEVELOPMENT STUDY

MR. CHAIRMAN, SECTION 9 OF THE BILL WOULD CHARGE THE SECRETARY OF COMMERCE WITH CONDUCTING A STUDY OF THE ECONOMIC EFFECTS ASSOCIATED WITH THE PUBLIC IDENTIFICATION AND PROMOTION OF SCENIC BYWAYS AS TOURIST ATTRACTIONS AND TECHNIQUES FOR INCORPORATING SCENIC BYWAYS INTO TOURISM DEVELOPMENT PROGRAMS. ASSUMING THAT THIS STUDY CAN BE CONDUCTED INHOUSE BY ONBOARD PERSONNEL, WE HAVE NO OBJECTION TO THIS PROVISION.

POLICY CLARIFICATIONS

SECTION 10 WOULD MAKE A VARIETY OF POLICY CLARIFICATIONS TO USTTA'S MISSION CONSISTENT WITH THE ACT'S OVERALL INTENT. THE ADMINISTRATION IS REVIEWING THEM.

AUTHORIZATION OF APPROPRIATIONS

SECTION 11 WOULD AUTHORIZE APPROPRIATIONS FOR FISCAL YEARS 1990, 1991, AND 1992. WE ARE OPPOSED TO ANY AUTHORIZATION OF APPROPRIATIONS THAT IS NOT DIRECTLY TIED TO USER FEE RECEIPTS SUFFICIENT TO FULLY SUPPORT USTTA'S ACTIVITIES.

WE HAVE BEEN STRUGGLING FOR SOME TIME TO FIND A WAY TO FUND USTTA'S ACTIVITIES THROUGH THE APPROPRIATION'S PROCESS BUT TO USE MONIES OTHER THAN FROM GENERAL TAXPAYER REVENUES. IN PAST YEARS WE HAVE SUBMITTED A USER FEE PROPOSAL WHICH MET WITH LITTLE ENTHUSIASM. IT IS ESSENTIAL THAT WE WORK TOGETHER TO COLLECTIVELY COME UP WITH AND ENACT A FUNDING MECHANISM FOR USTTA.

SUMMARY AND CONCLUSION

IN SUMMARY, MR. CHAIRMAN, WE BELIEVE S. WOULD HELP TO CREATE BROADER RECOGNITION OF TOURISM'S CONTRIBUTIONS TO THE NATION'S EXPORT REVENUE AS WELL AS ITS STATUS AS A BONAFIDE INDUSTRY. I HOPE YOU WILL VIEW OUR SUGGESTIONS AS CONSTRUCTIVE, AND I WOULD LIKE TO ASSURE YOU AND THE SUBCOMMITTEE OF OUR WILLINGNESS TO WORK TOGETHER TO ARRIVE AT AN ENROLLED BILL THAT THE PRESIDENT WILL BE PLEASED TO SIGN INTO LAW.

THAT CONCLUDES MY FORMAL TESTIMONY. I WOULD BE PLEASED TO ANSWER ANY QUESTIONS.

Questions for Ambassador Schnabel
from Senator Rockefeller

1. In your testimony you note that the tourism industry is predominately small businesses. Is exporting something that these smaller businesses can realistically do?

> The answer is "yes", provided the nature of the "tourism export" is understood. Three basic factors stand out:
>
> a). Unlike in the case of merchandise exports, it is the individual visitor to the United States who has decided to "export" himself. And since that is almost always an individual decision, the selection of destination, type of lodging, means of transport, and purchase of goods and services is made on the basis of personal preference - not related to the size of the provider of these goods and services.
>
> b). Businesses providing goods and services to tourists do not function in a geographic vacuum; visitors have to go "somewhere" to obtain these goods and services. In the context of your question that means that the attractiveness of a destination and the success (or failure) of its efforts to promote itself always must come first. In other words, if the visitor chooses not to go to point X, the economic benefit of his spending will not occur.
>
> c). Therefore, smaller businesses (motels, dude ranches, local museums, small attractions, etc.) can succeed in the "export" business, if they work cooperatively in developing their destination for the guest from abroad. This can be done on the local, state, and regional level.
>
> The above analysis lies at the heart of USTTA's educational outreach program. The objective of that program - which consists of conferences and seminars offered to regions, cities, and communities throughout the United States by our Office of Marketing - is to motivate destinations to participate in "export" development, share our international marketing expertise, and provide the support needed to access our markets abroad.

2. You oppose section 4 of S. 1791 because you believe that collecting and reporting monthly statistics on tourism is too costly. Can you suggest another cost-effective way for the Department of Commerce to raise the publicity and priority given to tourism figures?

I feel much could be done to improve the existing situation. Specifically, we are attempting to address needed improvements in two ways.

First, the scope and quality of the Department's international travel account data could be improved by:

a). increasing the sample frame in USTTA's In-Flight Survey, to allow more discrete analysis and reporting of individual country accounts and impacts of foreign travel spending on state economies. This would entail adding more carriers to broaden coverage and increase sample sizes.

b). improving airline and respondent response rates, to increase reliability of the survey data. This would entail alternative methodologies to administer the In-Flight Survey and increasing our liaison activities with the international airlines which actually carry out the In-Flight Survey for USTTA.

c). sampling Americans traveling abroad on the return portion of their trips. This would entail changing the existing methodology to administer the survey. Currently, both U.S. and non-U.S. travelers are surveyed on flights departing the country. Consequently, BEA's estimates of Americans' expenditures abroad are based on their anticipated spending, not on actual spending. We are actively pursuing all these options.

Secondly, we are working to INCREASE ANALYSIS, PUBLICITY, AND DISSEMINATION OF QUARTERLY TRAVEL ACCOUNT (AS WELL AS OVERALL TRADE IN SERVICES) DATA. Much more could be done to elevate the awareness and use of our existing quarterly travel and trade in services data. The same treatment should be afforded these vitally important data as is given the monthly merchandise trade data. The scarcity of disaggregated services trade statistics, relative to the plethora of detailed merchandise trade data, is also illustrative of the disproportionate attention given these components of the export picture. So, we should do more to provide more finite services trade data on a quarterly basis, disseminate these data more broadly to industry and the press, and make a "bigger deal" of their regular release through increased analysis and publicity.

3. You are concerned about section 6 of the bill which, among other things, requires USTTA's "marketing plan" to be approved by majority vote of your own Travel and Tourism Advisory Board. What mechanism exists now to ensure that your advisory board has substantive input on your marketing plans?

The responsibility for obligating funds which are appropriated by the Congress, to implement programs and operations of USTTA, are delegated to me by the Secretary of Commerce. I would be relinquishing that responsibility if I were to accept a majority vote of private sector industry members to direct me in the management of my delegated functions.

The TTAB has ample opportunity to counsel and advise us on our programs. That is their mandated function. The Chairman of this board establishes the agenda for each meeting. He consults with other board members and me on issues and policy questions. At our meetings, members give us advice and make recommendations, and can offer criticism on any of our current activities or plans for the future. They see our proposals, and make recommendations for me to consider, but I have the final responsibility for approving the plans which I am required to submit to the Congress. Only the Congress can "approve" our plans.

4. In light of our larger trade problems with Japan, the success USTTA has had in bringing Japanese tourists to the U.S. is impressive. Please tell me about how you promote the U.S. as a travel destination in Japan.

In Japan and, in fact, in all our major markets we promote the United States as a highly desirable, highly competitive tourism destination. We sell this objective at various levels: We work with tour wholesalers who package travel to attractive destinations; we work with the U.S. cities, encouraging them to display their attractions at travel trade shows; we support conferences, like the Pow Wow, which bring scores of Japanese wholesalers to make computerized appointments with U.S. suppliers -- that is, the hotel interests, the air carriers, the theme parks, and, of course our National Parks, beaches, and all of our national treasures and resources.

At the consumer level we sponsor major cooperative advertising projects in newspapers and magazines. For example, only last month (October) we sponsored an 8-page newspaper supplement in the Mainichi Shimbun - a paper circulating in 3 million households across Japan - featuring California destinations. The advertising value of this effort was over $2 million, funded by local advertisers including Japan Airlines who contributed $300 thousand for identification of their services to these U.S. destinations. All of this at very little cost on our own part, but a lot of initiative on the part of our staff in Tokyo.

5. It was a conscious decision to avoid the old "user fee" controversy in S. 1791. It is my hope that we can get beyond the questions of "if" there will be a USTTA, and get on with the "what" USTTA can be doing. Do you think that is possible?

I have no doubt we can get beyond the question "if" there is a USTTA. I think the question centers on how USTTA is funded. I would like to think there is still a way that we can develop a fee proposal that would allow private sector financing of USTTA's activites. In any event, the question is not "if" there is a "USTTA" but how to most effectively "fund" the agency.

6. In your written testimony, you say that promptly reported quarterly data is sufficient to show trends in recent developments in the industry. If this is true for the tourism industry, is it true for all industries? Why does the government not save money by reporting all industries on a quarterly basis?

I am sorry, but I cannot comment on the utility of the government's many monthly data bases applicable to other industries, since I am not aware of the various purposes and uses they were designed to fulfill. Several departments carry out extensive data-gathering and reporting systems, and each should be analyzed individually. As I understand it, the OMB actually does scrutinize each and every statistical program on an annual basis, for the purpose of ensuring that programs collect only essential information, with a minimum of duplication between different surveys.

7. In your written testimony, you say it is more important to improve service data on a quarterly and annual basis, rather than try to develop monthly data. What are you doing to improve quarterly data?

As you know, we achieved a major breakthrough this year when we were able to institute an improved system for generating the Bureau of Economic Analysis' quarterly reported estimates of U.S. international travel receipts and payments. The new balance of trade in tourism data will henceforth be based on the vastly more reliable USTTA In-Flight Survey of International Air Travelers. So we have already made significant progress in this effort to improve the Nation's quarterly tourism statistics. Still, we are attempting to improve the scope, reliability, and timeliness of the data produced by the In-Flight Survey. We are currently implementing several major improvements to the program, including adding additional airlines to broaden the survey's coverage and increasing our liaison activities with the 38 participating carriers to improve their field administration of the survey and thereby passenger response rates. We have also requested additional funding for continuation of this improvement program in our FY1991 budget submission to OMB. And lastly, we are in active discussions with the Under Secretary for Economic Affairs concerning the need to improve the scope and utility of all trade in services data.

8. Unfortunately for those of us in the Senate and at USTTA who know the positive economic impact of this industry to the nation, not everyone agrees with us. S. 1791 was introduced to promote the concepts we agree on. What else can we do to make our case to those who think national tourism policy is narrow, special interest legislation?

S. 1791 is a step in the right direction to bolster national tourism policy. It will help to create an environment to further expand the positive effect travel has on the trade deficit. In addition to fostering a healthier trade climate, it suggests that tourism should take its rightful place in the overall policies and plans for government programs and private sector cooperation. At this point in time, I have nothing further to suggest that would enhance or enrich this piece of legislation.

9. This year the Commerce Department agreed to adjust their export numbers in light of the quality data found in the "In-Flight" Survey. This data raised tourism export earnings to $37.1 billion -- the highest among all industries. This information has not drawn very much attention. Given the remarkable export earning figures of this industry, why do you think we are still fighting the battle to gain awareness for important tourism matters?

I suspect the major reason is "inertia." We probably should not expect overnight conversion to awareness, understanding, and acknowledgement of the tourism industry's importance to this country, since that recognition has not been prevalent in the past. I consider it one of my major responsibilities to help overcome this inertia by working to educate those unaware or unconvinced, not just at the highest levels of public service and corporate business, but at the grass roots of the industry itself. I will work diligently with other leaders of the travel industry to make sure that education process achieves substantial headway, as quickly as possible. Fortunately, as you point out, we are now armed with some very valuable, impressive ammunition in the new official data proving the impact of international tourism on our trade picture.

The components which make up the travel and tourism industry -- the airlines, hotels, restaurants, and the recreation-resort destinations -- are perceived as separate industries, not as a single entity which forms the umbrella industry we call "travel and tourism." Therefore, it is difficult to generate awareness for the industry as a whole. Until we reach that level of awareness, we will continue to fight the battle for recognition. I feel that in order to get our tourism industry house in order, we need to address the inequities in our standard industrial classifications, or as they are commonly called, the SIC codes. These standard codes, which are established by the Office of Management and Budget, classify industries for research and reporting purposes.

With more recognition being given to the importance of services and service industries to this country's economic stability, statisticians and researchers are beginning to look more carefully at our industry, but the resources available to make a comparative analysis are lacking. Consequently, individual researchers develop their own models, often flawed by erroneous assumptions, which result in projections that vary in quantity and quality. This, of course, has the effect of diminishing the credibility of all service sector estimates.

Senator ROCKEFELLER. Thank you very much, Mr. Ambassador. Senator Bryan?

Senator BRYAN. Thank you very much, Mr. Chairman. Mr. Ambassador, let me make a disclaimer at the outset that I understand you are constrained, working within an Administration, and must follow the policy of the Secretary and the President and I do understand that.

Having said that, let me say with equal candor I am profoundly disappointed in this testimony. At the time that Secretary Mosbacher was before the full Committee for his confirmation he reaffirmed a commitment to a number of us who serve on this Committee of his enthusiasm, his commitment, his advocacy for additional revenues to advocate the cause of international tourism.

I must say that your testimony this afternoon is to be preferred over your testimony that was submitted last night, and I acknowledge that, but I must say I would think at best this could be characterized as benign neglect.

What a lot of us had hoped for was ideas and some enthusiasm and some suggestions and recommendations, because you have got, in this Committee, as I have seldom seen since I have come to the Congress, really a unanimity of opinion.

It is not a partisan issue. It is not Democrats and Republicans differing on a point of view. There is not a philosophical barrier that divides us liberals and conservatives.

We look to you and your agency for leadership to work with our Chairman on this Committee and the members of this Committee with the states, with the private sector out there.

Yet, in looking at your testimony I do not find any ideas. I do not want to be unduly harsh. I want to give you an opportunity.

What do you propose? What ideas do you bring forth to strengthen the Chairman's bill? That is what we are looking for rather than just this is okay and that is okay. We need your ideas. We want to work with you, Ambassador. That is where I am coming from. Let me give you an opportunity to respond.

Ambassador SCHNABEL. Thank you, Senator.

When you referred to the issue of funding, indeed, that is a problem. As a presidential appointee, indeed, I face that as well.

Senator BRYAN. I do understand that, Mr. Ambassador.

Ambassador SCHNABEL. In view of the problem with the budget in general, what we basically are doing, of course, is attempting to break through the barrier and find, a way to fund tthe program. This could be through fees, or for instance, the foundation idea could be used well in that context.

I think it is going to require all the parties to sit down, the administration, the agency, certainly the Congress and the industry, to arrive at some way to fund the agency in the way that the administration can accept.

Senator BRYAN. Pardon my interrupting. I do understand that you are under constraints there, and I respect that as an appointee. A lot of us would like to see the funding level beyond the $15 million. I might say parenthetically that a witness will testify shortly, Mr. Frank Sain, who joins us from the Las Vegas Visitors and Convention Authority, whose budget is $73 million per year by way of contrast.

Putting that aside because I understand where you are coming from, how can we as a country do a better job in advancing the cause of international tourism to our country? What can you do? What can your agency do with the resources, whatever level? What ideas do you have? How can we strengthen?

I do not mean, Mr. Chairman, to imply any criticism of your bill because I am a proud co-sponsor of it.

How can we make the Chairman's bill even better? How can we make our cause even more successful?

Ambassador SCHNABEL. Thank you, Senator. I think that what we are looking to do and which we are very clearly emphasizing in the agency is to pursue marketplaces mentioned in the bill. We are highlighting specifics.

We are looking at the opening of an office in Korea. We have identified that as a major potential new market. We are pursuing that aggressively.

We are pursuing the EC 1992 issue aggressively; we are considering the possibility of opening an office. Funding would have to come out of somebody else's pockets somewhere, but we feel that those 300 million people plus, a $4 trillion economy, is a marketplace which we should address and very aggressively address. So we are pursuing that and spending time and effort on the issue. We have the head of our marketing department in Europe this very moment to check that out. I have been there myself. I am going to Japan and am hopeful to visit Korea next month.

Additionally, we are looking at what we can do in South America. To that end, I was in Miami this week and met with the gentleman who runs the office that covers South America. It is amazing how many tourists we actually get from that part of the world.

In addition to exploring new marketplaces, we are looking at the potential of expanding rural tourism of going out in the country itself, in the United States. We are looking at forming seminars for people who are in the tourism business, particularly in the rural area, who are not aware of the foreign market or who are not familiar enough with the foreign market to go after it. We can not only educate those people, but also can actually lead them to the marketplace, which is our intent.

Senator BRYAN. Mr. Ambassador, did you have a chance to examine the testimony that was presented in the prior hearing which the Chairman convened in which, among other things, there was a list of barriers that the witnesses believed constituted inhibitions to expanding our international travel to this country? Have you had a chance to look at that list or have your staff review it?

Ambassador SCHNABEL. The staff has reviewed it. I have not yet seen the particulars of it, but as far as the barriers are concerned our policy staff are actively working in that area. They are exploring those barriers, and are working to find ways to eliminate them.

At one time, there was such a travel barrier, for instance, in South Korea, but that has been eliminated. We are working on an number of others.

We are also in the process of signing tourism agreements with a number of countries that are addressing some of those problems.

Senator BRYAN. I hope that maybe you could give us a report back once your staff has had a chance to fully report to you. I know Senator Burns would appreciate it. He, like I, was impressed with the comments made by the private sector, as you will recall, Senator, just earlier in the course of this Congress.

We are going to have to take a brief recess to vote, but we are going to be coming back and ask you just to remain with us.

The last thing I would say to you is that I know I am going to feel a lot more comfortable knowing that we have an advocate within the administration recognizing the constraints within which you live. I recall earlier this month your comment publicly was that you had no objection to any provision of the bill, and that was good news for those of us who are supporters.

I would hope in those internal discussions that you have within the Department, within the administration, that we can feel confident that we have a guy in there that is advocating. I understand that you have to be a loyal trooper once the decision is made, but we need some real advocacy, Mr. Ambassador, and I hope that you will reassure us and provide that kind of leadership for which we all look to you.

Ambassador SCHNABEL. It would be delighted to do that, and you definitely have an advocate in me, Senator.

Senator BRYAN. We appreciate that.

We will be in recess subject to the call of the Chairman for probably about five minutes.

Again, Mr. Ambassador, we apologize for any inconvenience. I am sure the Chairman and other Members may have some questions. We will be right back.

[Brief recess.]

Senator ROCKEFELLER. Mr. Ambassador, I apologize. We had, in fact, two votes, so that caused us to be delayed. The other Senators will be coming back.

USTTA, already on a limited budget, does, as far as I can see, a fantastic job in terms of bringing Japanese to this country. In fact, I have visited your office over there, had a conversation with them, and was extremely impressed by not only the nature of the people but the availability of material and all of that.

In any event, we know that the Japanese government encourages their people to go overseas and that 85 percent, I think it is, of Japanese young couples who get married take their honeymoons overseas, which is mindboggling.

That is going to increase because Japan is in a position where they not only have to become more internationally involved in a political public policy sense, but as a people they have much more income, leisure is being increased, six-day work weeks are beginning to become five-day work weeks, at least prospectively and, thus, the whole concept of how we appeal to the Japanese and how you do the good job that you are doing.

How do you do it? What approaches do you take? What policies do you take with respect to specifically the Japanese?

Ambassador SCHNABEL. The agency, Senator, is very active, for starters, in bringing over to various parts of the country, for instance, Japanese tour operators, Japanese travel agents, Japanese journalists to familiarize them with the product so they can take that back home and sell it in their marketplace. That is an ongoing process.

They participate in travel shows that we have. I am talking about the American product that will be taken to Japan and in effect be a part of their travel shows. So it is a very direct form of marketing.

In addition to that, our office also does a lot in the area of cooperative advertising. We try to be the catalyst of an advertising campaign. For instance, in the State of California, USTTA takes the initiative to coordinate a campaign and brings in the various participants who then spend the money.

So it is a very hands-on direct marketing campaign. They are visited by many, many cities, states and tour operators from the United States. These people literally are, it seems, working around the clock; but the marketplace is there. They are actively pursuing it. Those are some of the areas in which they are very active.

That is also the office, by the way, that has recommended that we reach out to Korea because they are trying to handle Korea out of their back pocket but find that they are not staffed well enough to get into the Korean market in a major way. So, the recommendation has been, in effect, to open an office there. Clearly, it is a very expensive proposition. It has to come out of something, but it is potentially a very good marketplace for us.

Senator ROCKEFELLER. Senator Bryan, Senator Burns and I all represent, obviously, states that are not on an ocean. It is important to us, therefore, that as people come into this country, whether it be on the west coast or the east coast, there be the concept of a multistage visit.

Now let us say a tourist comes from Germany. A family comes from Germany. They have a week to spend, and they are not coming on business. They are coming as tourists, and they come into Washington, D.C., starting with that and not to talk about West Virginia. They will spend a couple of days here. Then they might go on down to Williamsburg because they have heard about that, and that gives them some history, spending maybe a couple of days there.

They still have a couple days left, and so what happens to those couple of days depends upon what is in the travel package on the shelf of the tourist agent whose product that German family buys.

West Virginia deserves to make it because we have unbelievable beauty. All of a sudden I can drive for an hour and 15 minutes from my house in the middle of the District of Columbia and I can be in West Virginia. It is beautiful.

In order for people to go there, however, their travel agent has to know that there are places in West Virginia where they can either white water raft or go to magnificent state parks.

That has to do with the regional approach which USTTA uses, which I think was started under Donna Tuttle. In other words, West Virginia joins with Delaware and Pennsylvania and Virginia and the District of Columbia, and we become the George Washington Region. So even as the Washington Monument is in the package to the family from Germany at which they are looking, so in fact is Hawk's Nest State Park or white water rafting on the New River in West Virginia. So they, when they buy one, in fact, they buy the other.

That is very important for states inside of the oceans.

Is that a policy that you intend to continue and are continuing?

Ambassador SCHNABEL. We definitely are, sir. To that end, as a matter of fact, we have somebody who just returned from both Colorado and Arizona who was attending seminars on this regional approach. I went to Madura in North Dakota over the weekend, a month and a half ago, where there were five states, represented Montana, Wyoming and the Dakotas and Nebraska, and we talked about rural tourism and how these States could market their product. We had two days of sessions, including some with the USTTA experts, who handled the specificquestions that came up there. I gave a talk in addition to that.

The answer is definitely yes. I personally am very interested in it. I am very intrigued with the possibility of using the tourism industry to help small businesses in those areas, particularly where you have had economic difficulties for a number of different reasons. We want to go out to those areas and, in effect, educate people about foreign tourism.

In the case of the meeting in Madura, I was asked by one of the states whether we would participate in a two year advertising program that they were planning for Canada. Of course, Canada was a very good region for them to go after in this particular case.

The USTTA committed some money. The State was asking for $50,000 two years in a row. We could not commit to that, but we committed to something less than that. Again, we helped initiate this, and the State has it going. Apparently, it seems to be working from the things that we have learned. So we are definitely pursuing that.

When Senator Bryan asked me about any new initiatives, one I should mention is the outreach program, which is what we call our efforts to target the regions in the United States, particularly the rural areas. We are very keen on that and we are expanding on it. The rural tourism study that we have just finished really delineates some of those areas.

Senator ROCKEFELLER. Thank you, sir.

Senator Burns.

Senator BURNS. I have just a couple of questions, Mr. Ambassador.

You have expressed some concern about requiring the USTTA's Travel and Tourism Advisory Board to approve an agency's annual marketing plan. If that is unacceptable, how do you suggest that USTTA get the maximum benefit from its private sector advisory board?

Ambassador SCHNABEL. Thank you, Senator.

The board is a very good board. I have met with 90 percent of the people on the board and have attended two meetings. The next meeting is coming up in Tokyo next month, as a matter of fact. The board has been under outstanding leadership of the chairman, Mr. Giuliano.

Our relationship with that board is very good. Anytime the board wants to discuss the marketing plan of USTTA, not only could we do it on an ongoing basis but I would be open to meet with them at anytime outside of the two required meetings per year. I am very keen to get their input.

So we have a very good relationship with the board, and I would definitely hope to continue that very good relationship.

Senator BURNS. Senator Bryan just mentioned something over here in wanting to know about new ideas. It may be a crazy idea as I sit here. It just popped into my mind, and that is when I come up with my best ideas sometimes.

With your talent and your past experience, is it a crazy idea to suggest that somewhere along the line in your activities that some of the monies be budgeted to help the states and areas like the old west trail country that you met with in Medora. Could you spend some money in educating the public in each state or each locale, and get the recommendations or guidelines to those tourism offices, to educate the public on:

One, the importance of the tourism dollar, that it is important both economically and socially for the world community because it allows people to interact. I think that is just as important maybe as the economic end of it; and

Second, some guidelines to start people thinking about how to sharpen their techniques on being a host. You know, sometimes we forget that each one of us is a part of an image that our visitors gather. When they get home, if they talk well of us, that stimulates other people to visit our communities.

I would wonder if someone with your talent, knowing that you have talent along that line, could set down some guidelines on how to attack this. When it all boils down, the only thing it takes is one rude person, and it seems to spoil the whole darn trip. It is important to be a good host.

Those are the only questions I have of you. We need your input on this bill, and we take your suggestions not lightly. We take them very seriously, and we thank you for your time and your effort.

Ambassador SCHNABEL. Mr. Chairman, may I respond just very briefly?

We have something called the Awareness Council of which USTTA chairs is a co-chair. The Awareness Council puts on Tourism Week once a year to make people in general in this country more aware of the importance of the industry. It is a very good, very productive group of people.

I attended my first meeting within the last 30 days and I was very impressed with what they put forth, with the ideas that are coming out of this. Again, they have a very small budget, but the companies that are participating in it are first-rate and the ideas are first-rate.

As far as the hosting is concerned, I have found, having lived in Europe and having been born and raised in Europe, that Americans are great hosts. We have the number one product in the world and Americans are absolutely great hosts.

What we need to do is get these folks to come over here for the first time so they will keep coming back. I think that the experience we hear and see is basically very, very positive on the whole, and we have few complaints. You reverse that and with Americans going overseas, frequently that is not always the case.

What we need to do more of, I think, is show that we, too, have abilities to speak other languages than just English, and we do. We have to show in some of our tourist attractions such as hotels, that we have ability to do things such as foreign exchange.

A lot of foreigners are worried about issues like that. But I find that once we get them we the first time and they get over being intimidated with the size of this country and the enormity of it all, then they keep coming back and staying longer and spending more money. That, of course, is what we are working on.

Mr. Chairman, if I may speak for one additional minute, may I add something?

Senator ROCKEFELLER. Yes, go ahead.

Ambassador SCHNABEL. In response to Senator Bryan's message about what we were doing in the form of initiatives, a month ago we opened an office, a joint venture, maybe one could call it, even though it is a term that is used primarily by the Soviets nowadays. It is a joint effort between American telephone and the United States Government, in opening up an office in London where British consumers can come in and talk to us about travel opportunities. This did not exist heretofore.

That is not a brand-new initiative, but it is something that we finally have gotten off the ground. We are working on similar things with other major companies throughout the United States to pursue things like that, to get some sort of funding.

We have been actively talking with the Travel Industry Association about various cooperative efforts on which we work with them such as the pow-wow once a year which brings over foreign buyers.

We have something coming up, the International Marketing Conference in Washington at the beginning of the year, where we bring a number of people around and again have seminars on how to go into the foreign markets.

We, in effect, have a whole new initiative going in that area for this coming conference. In addition, we are working on a publication that highlights the availability of jobs in the travel and tourism industry, because there are so many people that may be interested in that, but really do not have a way to go and explore what is required to get into that industry. As mentioned earlier in discussion on how many jobs are being created every year, we have a publication coming up that would make it easier to find your way through the industry to get to jobs.

Senator ROCKEFELLER. Mr. Ambassador, we are going to have to go to our next panel now, but I want very much to thank you and to reemphasize a point that Senator Bryan made, that we are not a newly-constituted Tourism Subcommittee, but I think we are as enthusiastic and as determined as a Subcommittee could be with respect to tourism as the Senate has seen in some years.

We really do mean to make a difference. We want this thing to work. The whole idea of combining tourism with trade is to try to mainstream the concept of tourism to the American people, to try to make it, which in fact it is, a very muscular subject, not just a feel-good subject, and our relationship with USTTA is important to us and you will find us cooperative and determined to see tourism flourish both with respect to what is going on inside this country and also bringing people from overseas.

We look forward to working with you. We have every reason to expect that that will be an excellent relationship, so I thank you very much for coming and we will be seeing you shortly.

Ambassador SCHNABEL. Thank you very much, Mr. Chairman, and thank you, Senators.

Senator ROCKEFELLER. Our next panel consists of Mr. Bob Liming, Director of the South Carolina Division of Tourism, Mr. Clint Blackwood, who is the Group Travel Coordinator for Travel Montana, and Mr. Frank Sain, who is the Executive Director of the Las Vegas Convention Visitors Authority.

Mr. Blackwood, as I understand it, has a 4:30 plane, so Mr. Blackwood, would you get out your testimony? We look forward to hearing from you.

STATEMENT OF CLINT BLACKWOOD, GROUP TRAVEL COORDINATOR, TRAVEL MONTANA

Mr. BLACKWOOD. Thank you, Mr. Chairman. First, may I request that my testimony be submitted?

Senator ROCKEFELLER. It will be.

Mr. BLACKWOOD. I am Clint Blackwood. I am the Group Travel Coordinator for the Montana Promotion Division, Department of Commerce, and I am testifying today on behalf of Sandra Guedes, who is the Acting Travel Director for the State of Montana.

I am pleased to offer this testimony and thank you for allowing Montana the opportunity to express its views on this very important legislation.

Senator ROCKEFELLER. Mr. Blackwood, I have to say too to all three of you, that the little green light is going to turn on in front of me shortly and we will have to go to the five-minute rule. I am sure that as experienced state government officials, there will be no problem for you whatsoever.

Mr. BLACKWOOD. Well, if I miss that airplane back to Montana I may have to walk, so I will do this fast.

In offering this testimony today I would wish to specifically address seven key points, the first being assistance and cooperation. Federal and state governments can and must combine marketing efforts as they provide rural communities with leadership both on a financial as well as an educational level. The United States Travel and Tourism Administration is a key element in this cooperative concept.

Air transportation. Rural areas suffer from a lack of adequate air transportation which in turn limits their visitation to rubber tire traffic. The trend in domestic travel is toward shorter vacations, as people choose to alter their longstanding, once-a-year two-week trip tradition.

Naturally, the shorter trips limit the destinations available for the automobile trips taken by residents of the larger population areas. While the short vacation trend may be a boom for some, it potentially has the opposite effect in rural areas such as Montana.

With less time allocated for travel, the air service becomes a critical factor. Indeed, air transportation should continue to be addressed at the Federal level. I do not, however, expect congressional directive alone to solve this concern. Competition and demand will eventually determine the air service.

Tourism development and promotion, both domestically and internationally, will greatly impact that demand for air service. We in Montana see improved air service and increased tour and travel revenues as being very interdependent.

Marketing and funding. Ironically, the areas that most need to be marketed are also the areas that least can afford to market themselves. While the various regions of the United States compete for the tourism dollars, so does each country compete for its share of the tourism revenues. The United States currently ranks 22nd in tourism promotion funding in the international market.

To be most competitive, the United States Travel and Tourism Administration must make the best use possible of its limited funds. I would hope that in addition to focusing on selected target markets as outlined in the Tourism Act of 1989, increased funding for the USTTA would also be forthcoming. I would further ask that this Committee draw guidelines which will ensure that the percentage of funds dedicated to the rural states be increased fairly and proportionately.

Funding for tourism development. Funding for tourism development does not receive the same priority as industrial development at all levels of government. The guidelines for funding tourism development should be redefined to give the tourism industry a better, more comprehensive evaluation. The Tourism Policy and Export Promotion Act of 1989 will achieve this goal.

National Parks, Forests and Monuments. Our national parks, national forests and national monuments are our greatest assets. They are the "hooks" that bring visitors to and then through our rural regions. These parks, forests and monuments must be recognized and promoted as vital to the economic stability of our areas.

A case in point is Yellowstone Park, which is one of the best-known American attractions both in North America and overseas. Over two and a half million people visit Yellowstone Park each year and approximately 20 percent of all of the hotel guests overnighting in Yellowstone are international visitors. The majority of these visitors drive through several states on their way to and from Yellowstone, generating revenues in each of these states.

In 1988, fire consumed huge tracts of land both in and around Yellowstone. The media coverage of this event was comprehensive, with reports being sent throughout the world, and creating unprecedented negative exposure. As it turned out, the fires did not change Yellowstone Park nearly as much as the initial reports suggested, but the media coverage did indeed change public perception of the park.

Montana and Wyoming undertook a poll to measure consumer perceptions of the effects of the fires and found that 69 percent of the people surveyed did say that they would change their vacation plans as a result of the fires. Perception was reality in the minds of these people contemplating a vacation to Yellowstone.

This perception of the post-fire condition is international in scope, which magnifies the reselling and promotional efforts necessary to maintain visitation. Montana and Wyoming cannot combat the negative images created as a result of the fires of 1988. Cooperative efforts between state and Federal agencies are needed.

As the awareness of tourism's value becomes known, contingency plans need to be created to be prepared for any future changes in our parks and forests.

International marketing. Economic survival can no longer be based on one state competing with the next. On a national level, this is literally taking dollars from the right pocket and putting it in the left pocket.

New markets must be cultivated. We must reach outside of the boundaries of our United States and bring new dollars into the American economy. The states look to the USTTA as a source of information related to those key international markets.

It would be foolish to have each state undertake its own in-depth research of the international markets, since the end result would be a great duplication of efforts, lowered quality of research and less money spent on tourism. When the states are less effective, the United States suffers.

The research generated by USTTA provides the state and the private sector with pertinent and well-targeted studies which take the guesswork out of our efforts and help us to determine which markets we should address and in what way. Unfortunately, those studies are often not timely, due to the lack of research funds.

International marketing is a must. I truly think that the United States Travel and Tourism Administration has achieved great results under very limiting situations and Montana is very grateful for this effort. Much more can and must be done in this international arena, and it will require additional funding.

The far-reaching economic impact of tourism. The impact of a healthy and growing travel and tourism industry within the United States is not a quick study. The economic impact of travel and tourism goes far beyond the revenues generated from the sale of hotel accommodations, and as more data becomes known I am positive that support for this industry will become more widespread.

We must send a message that economic impact of tourism does not stop at the lodging facilities, but rather reaches far into our communities and impacts the overall strength of our country's economy.

In Montana, for example, the Institute for Tourism and Recreation Research has just completed a comprehensive study which delineates the value of the tourism dollar. The preliminary results of this study reveal that hotels and motels receive only 16 percent of the nonresident travel expenditures, while retailers receive 25 percent of the travelers' expenditures.

Gasoline accounts for some 16 percent, while groceries, recreational equipment and outfitting services receive another 12 percent of our visitors' expenditures. Tax revenues are generated as gasoline is sold and property assessed.

Clearly, tourism is a real, measurable, productive industry, but one that is often taken for granted and misunderstood. The United States Senate is leading the way with the introduction of this progressive legislation, and we in the rural states will support the Committee in any way we can to see the passage of a national policy on travel and tourism.

I thank you for this opportunity to express my views and opinions to this Committee.

[The statement follows:]

Statement By
Clint Blackwood, Group Travel Coordinator
Montana Promotion Division
Montana Department of Commerce

I'm Clint Blackwood, the Group Travel Coordinator for the Travel Promotion Division of the Montana Department of Commerce. I am testifying today on behalf of Sandra Guedes, the Acting Travel Director for Montana. I am pleased to offer this testimony and thank you for allowing Montana the opportunity to express its views on this very important legislation.

The changing of the world's economies, demographics and technologies have caused a shift in the strengths of agriculturally based states such as Montana. A recent Midwest Research Institute study states "Rural areas create jobs at only 2/5 of the rate of metropolitan areas. The poverty rate is 50% higher in rural than in metropolitan areas. As a whole, rural America is suffering from serious economic decline." Montana, as well as many other rural states, have addressed this economic situation and have long realized that tourism offers a real hope for the future. Montana is fortunate to possess a wealth of tourism potential, but realizes the enormous task of marketing that potential. An increased awareness and a renewed focus on the importance of travel and tourism to the overall economy of the United States is needed. The proposed Tourism Act of 1989 is a positive indication and a much needed vehicle to promote the importance of travel and tourism.

In offering this testimony today, I wish to specifically address seven key points.

1. Assistance & Cooperation

As many rural areas have struggled to solve their economic woes, they have looked to government for help. I do not believe that government should be the sole provider of help. Rather, I believe in partnerships and in mutual financial participation, and hope to emphasize in my testimony the need for and the benefits of cooperation between the federal, state and local entities.

Federal and state governments can and must combine marketing efforts as they provide rural communities with leadership both on a financial as well as an educational level. These skills are often not available on the local level and smaller, diversified groups cannot engage in effective international marketing alone. With a comprehensive and coordinated effort, increased tour and travel revenues will be realized.

We often receive calls from communities or individuals who had previously relied on agriculture as their base for economic stability and are now realizing the potential that tourism holds. As an example, we can provide technical assistance for the rancher who desires to convert her or his ranch into a "Bed & Breakfast" facility, but unless that technical assistance is combined with an aggressive and well-coordinated promotional effort, their new facility may not be successful. The individual entrepreneur, local community or even state promotional programs will all be better served if we combine efforts. The United States Travel and Tourism Administration is a key element in this cooperative concept.

2) Air Transportation

Rural areas suffer from a lack of adequate air transportation, which in turn limits their visitation to rubber-tire traffic. The trend in domestic travel is toward shorter vacations, as people choose to alter the long-standing once-a-year, two-week trip tradition. Naturally the shorter, trips limit the destinations available for the automobile trips taken by residents of the larger population centers.

While the short vacation trend may be a boom for some, it potentially has the opposite affect in rural areas such as Montana. With less time allocated for travel, the air service becomes a critical factor.

Indeed, air transportation should continue to be addressed at the Federal level. I do not, however, expect congressional directive alone to solve this concern. Competition and demand will eventually determine the air service. Tourism development and promotion, both domestically and internationally will greatly impact that demand for air service. We in Montana see improved air service and increased tour and travel revenues as being very interdependent.

3) Marketing & Funding

Ironically, the areas that most need to be marketed, are also the areas that least can afford to market themselves.

In analyzing the travel promotion budgets of those states whose population is primarily classified as "rural," a correlation can be made to correspondingly low promotional budget. For example, as reported in the State Policy Data Book

1989, the states of Montana, Idaho, North Dakota, South Dakota, Vermont and West Virginia all show that at least 47% of their population is rural. These same six states report tourism promotion budgets ranking no higher than 28th when compared to the total of all states. The old adage that "one must have money to spend money" holds true for population and promotion.

While the various regions of the United States compete for the tourism dollar, so does each country compete for its share of the tourism revenues. The United States ranks 22nd in tourism promotion funding in the international market. To be most competitive, the United States Travel and Tourism Administration must make the best use possible of its limited funds. I would hope that in addition to focusing on selected target markets as outlined in the Tourism Act of 1989, increased funding for the USTTA would be forthcoming. I would further ask that this committee draw guidelines which will ensure that the percentage of funds dedicated to the rural based states be increased fairly and proportionately.

4) Funding for Tourism Development

Funding for tourism development does not receive the same priority as industrial development at all levels of government. As Mr. Jonathan Linen highlighted in his testimony which was given to you on September 27, 1989, tourism is a very vital component of the United States economy. It would therefore seem prudent to treat travel and tourism as a real economic factor with its real economic impact taken into consideration when planning and then implementing economic policy and strategy. The total impact of tourism related business is tremendous. The guidelines for funding tourism development should be redefined to give the tourism industry a better, more comprehensive evaluation. The Tourism Policy and Export Promotion Act of 1989 will achieve this goal.

5) National Parks, Forests & Monuments

Our National Parks, National Forests and National Monuments are our greatest assets. They are the "hooks" that bring visitors to and through our rural regions. These parks, forest and monuments must be recognized and promoted as vital to the economic stability of these areas.

A case in point is Yellowstone Park, which is one of the best known American attractions, both in North America and overseas. Over 2.5 million people visit Yellowstone Park each year and approximately 20% of all hotel guests overnighting in Yellowstone are international visitors. The majority of these visitors drive through several states on their way to and from Yellowstone, generating revenues in each one of those states.

In 1988, fire consumed huge tracts of land both in and around Yellowstone. The media coverage of this event was comprehensive, with reports being sent throughout the world - millions of dollars worth of negative exposure. As it turned out, the fires did not change Yellowstone Park nearly as much as the initial reports suggested, but the media coverage did indeed change public perception of the Park. Montana and Wyoming undertook a perception poll to measure consumer perceptions of the effects of the fires: 69% of people surveyed said they would change their vacation plans as a result of the fires! Perception was reality in the minds of people contemplating a vacation in Yellowstone. This perception of the post-fire condition is international in scope, which magnifies the reselling and promotion efforts necessary to maintain visitation.

Montana and Wyoming alone cannot combat the negative images created as a result of the Fires of '88. Cooperative efforts between state and federal agencies are needed. As the awareness of tourism's value becomes known, contingency plans need to be created to be prepared for any future such changes in our parks and forests.

6) International Marketing

There is little doubt that states will continue to compete among themselves for the American traveller, and that is healthy. By creating interest in our country's attractions, and thus increasing domestic travel, we will decrease our travel export deficit.

However, economic survival can no longer be based on one state competing with the state next door. On a national level, that is literally taking one dollar from the right pocket and putting it in the left pocket. New markets must be cultivated. We must reach outside of the boundaries of our United States and bring new dollars into the American economy.

Montana, as well as many other rural states have long realized the long range benefits of creating new international markets. With very limited budgets, new programs which include tourism trade missions have brought revenues from markets such as Canada, Western Europe, Taiwan, Japan and the United Kingdom. Some progress has been made, but much is yet to do.

The states look to USTTA as a source of information related to those key international markets. It would be foolish to have each state undertake its own in-depth research of the international markets, since the end result would be a great duplication of efforts, lowered quality of research and less money spent on promotion. When the states are less effective, the United States suffers.

The research generated by USTTA provides the state and the private sector with pertinent and well targeted studies, which take the guesswork out of our efforts and help us to determine which markets we should address and in what way. Unfortunately, those studies are often not timely, due to the lack of research funds.

The shortterm return of marketing dollars might indicate that domestic rather than international markets should be the top priority. However, we must look to the longterm investment. The commitment to a coordinated international marketing effort will translate into a more diversified tourism industry while at the same time work to lessen the United States' foreign trade deficit. International marketing is a must. I truly think the United States Travel and Tourism Administration has achieved great results under very limiting conditions, and Montana is grateful for this effort. Much more can and must be done in this international arena, and it will require additional funding.

7) The Far Reaching Economic Impact of Tourism

The impact of a healthy and growing travel and tourism industry within the United States is not a quick study. In fact, to fully understand the far-reaching impact of this vital industry is one of the main objectives of The Tourism Policy and Export Promotion Act of 1989. The economic impact of travel and tourism goes far beyond the revenues generated from the sale of hotel accommodations, and as more data becomes known, I am positive that support for this industry will become more widespread. We must send the message that the economic impact of tourism does not stop at the lodging facilities, but rather reaches far into our communities and impacts the overall strength of our country's economy.

In Montana, for example, the Institute for Tourism and Recreation Research has just completed a comprehensive study which delineates the value of the tourism dollar. Preliminary results of this study reveal that hotels and motels receive only 16% of the nonresident travel expenditures, while retailers receive 25% of the traveler's expenditures. Gasoline accounts for some 16% while groceries, recreational equipment and outfitting services receive another 12% of our visitor's expenditures. My point is that travel and tourism generates revenues in ways that impact many facets of local, state and Federal economies. Tax revenues are generated as gasoline is sold and property is assessed. Clearly, tourism is a real, measurable, productive industry, but one that is often taken for granted and misunderstood.

The United States Senate is leading the way with the introduction of this progressive legislation and we in the rural states will support this committee in any way we can to ensure passage of this national policy on travel and tourism.

I thank you for this opportunity to express my views and opinions to this committee.

Senator ROCKEFELLER. Thank you, Mr. Blackwood. Senator Burns?

Senator BURNS. I have just, maybe one quick question, and then I know you have to fly for that airplane.

In your opinion, how much more of an effort are we going to have to make and what kind of effort should be made? Where should our thrust be on rural tourism?

Mr. BLACKWOOD. I think what we need to have—and I am thinking primarily of Montana, looking at Western Europe and the Pacific Rim, we need to have a consistent and continued awareness in those markets I think working together with the USTTA is where that needs to happen.

Once the people get here, then we need to look at how we can be the best hosts that we can. When I think of rural tourism, I think of the airline situation and I think of the demand that will create more air service into Montana. So basically, what I would say is that we need to make a committed effort and work together. Sir, we cannot do it alone.

Senator BURNS. I have no further questions.

Senator ROCKEFELLER. Senator Bryan.

Senator BRYAN. I have no questions, but I thank Mr. Blackwood for his testimony, and I look forward to working with him.

Senator ROCKEFELLER. Mr. Blackwood, I would appreciate it—and I know you do have to go to make an airplane—if you could send me and perhaps Senator Burns knows this anyway—send me some statistical breakdown of the number of foreign tourists that you have that come to Montana, where they come from, and what it is that they like, the Pacific Rim, let's say, as opposed to Europeans, what it is they like to see and do in your rural state.

Mr. BLACKWOOD. I would be happy to provide that for you.

Senator ROCKEFELLER. Thank you, Mr. Blackwood, and thank you very, very much for coming.

Mr. Sain.

STATEMENT OF FRANK SAIN, EXECUTIVE DIRECTOR, LAS VEGAS CONVENTION AND VISITORS AUTHORITY

Mr. SAIN. Thank you, Mr. Chairman.

Mr. Chairman, distinguished members of this subcommittee, thank you for the opportunity to be here today to discuss the efforts that we in Las Vegas are making to bring increasing number of domestic and foreign visitors to our city.

My name is Frank Sain. I am the Executive Director of the Las Vegas Convention and Visitor's Authority which henceforth I will refer to as the LVCVA.

First, I would like to put into perspective for you the impact that tourism and conventions have on Las Vegas. This year more than 18 million people would like to visit our city. About 10 percent of them are convention delegates.

The economic impact of these visitors on our city will be in excess of $10 billion. One third of southern Nevada's work force is employed by our resort industry in a direct capacity while another 30 percent of the work force is indirectly employed.

Foreign tourism is an area of growing importance for us as we seek new marketing avenues in order to fill the burgeoning number of rooms available in Las Vegas. Foreign tourism currently accounts for about 5 percent of our total Las Vegas market, translating into approximately one million visitors each year.

Our goal is a 10 percent growth annually in this area, a number that we believe is quite realistic.

Senator ROCKEFELLER. One million tourists over how many overall?

Mr. SAIN. Out of 18 million.

Senator ROCKEFELLER. Out of 18 million?

Mr. SAIN. Yes.

The LVCVA is very active in the international tourism market. Three years ago the LVCVA in concert with the Nevada Commission on Tourism and the Reno/Sparks Convention and Visitor's Authority established an office for tourism in Tokyo, Japan.

I might mention that Senator Bryan when he was governor was very active in this area and a strong advocate of this move.

We have a company called the Japan Center Company and as a result of this, our visitation by the Japanese has increased threefold since that time.

In 1989 alone we expect over 250,000 Far Easterners to visit Las Vegas to further capitalize on our Far East marketing efforts, the LVCVA, again with the Nevada Commission on Tourism and the Reno/Sparks Convention and Visitor's Authority has formed a new office Taiwan. These three Nevada organizations currently are laying the foundation for an office in Europe. We expect this office to be operational in the spring of 1990.

So, as you can see, the LVCVA and other entities are clearly committed to building a strong presence throughout the world. This commitment is evident in other areas as well. The LVCVA efforts related to international tourism include but are not limited to the following areas. Conducting international trade advertising, actively cooperating with the United States Travel and Tourism Administration offices throughout the world, through trade programs, trade shows, and country-related travel agent conventions hosting such international trade organizations and gatherings as the Japanese Association of Travel Agents' Board of Directors and the Travel Industry Association of America's POW WOW.

Las Vegas has hosted these prestigious events twice. POW WOW is the international vehicle for destinations to market their products directly to travel wholesalers. Working with foreign wholesalers to bring groups to Las Vegas, printing foreign language tourism brochures, hosting familiarization trips for international press, hosting numerous international conventions throughout the year, and attending several overseas trade events each year.

As you members of the Foreign Commerce and Tourism Subcommittee can see, the importance of both domestic and international tourism to Las Vegas can hardly be overstated. We consider the international marketplace as having the greatest growth potential for us.

Like other destinations that rely so heavily on tourism for their economic well-being, Las Vegas must constantly seek new areas in which to promote itself while certainly not understating the importance of the domestic market to Las Vegas, the LVCVA firmly believes that the international market will be the key to our continued success as a resort destination.

Senator ROCKEFELLER. And growing by about what? Do you think it may grow twice as quickly as the domestic market or what?

Mr. SAIN. Our tourism industry has been growing roughly around 6 1/2 to 7 percent annually. Our convention business has been growing about 10 percent annually.

The international market, as I say, right now is about 5 percent. We have been disappointed in that growth. We would like to see that up to at least a 10 percent share of total market.

This is clearly reflected, for instance, at McCarran International Airport in Las Vegas. Working with McCarran officials the LVCVA has formed a special marketing committee composed of both LVCVA and airport personnel which has two primary goals: to obtain direct airline service from foreign countries to Las Vegas and to bring more foreign visitors to Las Vegas.

We support the practice of air carriers being able to negotiate directly with the destinations for direct service. In the meantime, progress continues at McCarran International Airport. Already in the midst of a billion dollar expansion program designed to take the facility well into the next century, McCarran is currently in the process of remodeling and expanding its international arrival terminal in anticipation of the growing number of foreign visitors to Las Vegas.

The federal government through the United States Travel and Tourism Administration can play a key role in Las Vegas' international tourism efforts. For this reason, the LVCVA supports increased funding for the USTTA at this time, a crucial juncture in tourism not only for Las Vegas, but for the United States as well.

We believe that the benefits of such an increase in funding would be shared by many, and certainly by Las Vegas which, as I have said, is looking more and more to international tourism in its marketing efforts.

Also, by the western region of the United States, since it has been shown that many international visitors come to Las Vegas as part of a total package tour of our part of the country and, of course, by the United States in general since this will favorably impact our balance of trade internationally.

I mentioned before that Las Vegas was growing rapidly and that the international market was a logical stage in which to seek increased numbers of visitors. Again, I would like to put these things in perspective for you, if I may.

Las Vegas currently has about 64,000 hotel and motel rooms. By this time next year we will have 75,000 rooms, and it is predicted by the turn of the century Las Vegas will have 100,000 hotel and motel rooms.

The people making these multimillion dollar business decisions, these huge commitments to Las Vegas' all important tourism industry recognize that aggressive, innovative international marketing is vital now and will remain so in the years ahead.

Over the past decade we have worked closely with USTTA. They have assisted us in the arrangement of our overseas travel missions, sales presentations, press conferences, distribution of our promotional literature, coordinating visit USA seminars, and booth promotions at international travel trade shows, and they have conducted press wholesaler and travel agent familiarization tours to our area.

The problems we have encountered with USTTA are few and predicated on the lack of funding available to the overseas offices for promotion. Some ideas we would like to see implemented are more funding for distribution of sales materials, development of more prospects and sales leads augmented byu more sales staff overseas and more co-op advertising opportunities and a higher accessibility and more visibility of USTTA offices overseas.

This is one reason why the LVCVA, the individual resorts in Las Vegas and other Nevada tourism entities are expanding their horizons in the area of global marketing and why I am appearing before you today in support of increased funding and increased marketing efforts by the United States Travel and Tourism Administration.

These heightened marketing efforts, I believe, are good for Las Vegas, good for Nevada, and good for the country. I can assure you that as Las Vegas continues to grow so, too, will our efforts to attract international visitors to our city. We would appreciate knowing that the USTTA can continue to be our partner in prosperity in an even more expanded role during the important years ahead.

Thank you very the opportunity to appear before you, and I would be happy to answer any questions you might have.

[The following information was subsequently received for the record:]

LAS VEGAS CONVENTION & VISITORS AUTHORITY
CONVENTION CENTER
LAS VEGAS, NEVADA

QUESTIONS OF SENATOR ROCKEFELLER AND THE ANSWERS

1. Las Vegas is known as a convention city. What percent of these conventions are from outside the U.S.? What specific activities has the Las Vegas Convention and Visitors Authority undertaken to accommodate these foreign visitors?

On an annual basis, Las Vegas hosts less than 5 conventions that could be considered from outside the U.S. For example, in 1989, we hosted the International Symposium of Toxicity Testing. In 1990, we will host the Mexican Association of Travel Agents. However, Las Vegas does host an average of 15 meetings annually that are U.S. based, but attract a large international attendance, such as Ski Industries America, COMDEX, Intl. Winter Consumer Electronics Show, Intl. Carwash Association, International Gaming Business Expo, International Council of Shopping Centers, and International Baking Industry Exposition. The COMDEX show alone, expects 17,000 international delegates. Both the Pacific Rim countries, as well as, the European nations represent a tremendous market potential for Las Vegas for conventions, meetings, and symposiums.

2. How could USTTA better promote Las Vegas, and the country, as a destination for conventions and conferences?

USTTA could better promote Las Vegas, and the country, as a destination for conferences and conventions:

A. By distributing convention schedules from Las Vegas and other cities or by distributing schedules of U.S. conventions of international interest. This has the potential of stimulating additional attendance at these conventions when they are held in the United States.

B. Maintaining an inventory of facilities and convention brochures for distribution to promote cities with convention space.

C. Sponsor seminars for international meeting planners to provide them with information on the advantages of holding conventions and meetings in Las Vegas, and the U.S. sales executive from various convention facilities could be invited to attend.

D. Provide leads of groups contacting USTTA offices for information on holding meetings in the U.S.

E. Call on associations based in their regions to encourage them to connect with their U.S. affiliate, ie. The American Chemical Society and the International Chemical Society, to hold a joint meeting in Las Vegas or elsewhere in the U.S.

F. Maintain an annual list of these international conventions that have previously met in the United States.

G. Maintain a convention calendar that contains lists by month and year of these international groups that have booked their convention or meeting in the United States.

3. You discuss airline service between Las Vegas and foreign countries. Obviously, more routes would be better, but is there the potential for problems to arise from under-capacity and over-crowding? How can we prevent McCarran International from becoming another over-crowded, and even dangerous, international port of entry?

On the issue of safety, McCarran International Airport has a fully staffed Level IV Air Traffic Control Tower, which operates in close coordination with two other ATC towers in the Las Vegas Valley. Plans are now underway to upgrade the McCarran ATC Federal Aviation Administration air traffic control system. With the extremely favorable weather conditions in the Valley and the ability to separate general aviation and commercial carrier operations, airways in Southern Nevada will continue to be among the safest in the nation.

Safety and security have continued to be a top priority for Clark County. McCarran today boasts the most advanced passenger screening equipment available, and the airport recently hired its own security force to supplement the Metropolitan Police force on site to enhance airfield and terminal security. McCarran will be the first airport in the United States to install a completely computerized card access security system, and with other innovative security programs now in force, McCarran will have a higher security profile than many airports overseas.

Clark County is also committed to the international air service market. Designated as an international airport in 1968, McCarran recently received a Class "A" Port of Entry designation which allows full passenger and cargo clearing ability for international flights. Clark County is presently developing a $40 million international arrivals/charter facility to replace its existing international arrivals building and to expand the airport's ability to quickly and conveniently procrss international visitors. Additionally, Clark County is in the process of constructing infrastructure for a $30-million air cargo facility, providing the important ability to accommodate a combination of passenger/cargo traffic from international destinations.

Las Vegas is already listed among the top three travel choices for Pacific Rim visitors. The Grand Canyon is also listed in these favored travel destinations, and McCarran is the undisputed gateway to the Grand Canyon. Negotiations are presently underway with major international air carriers and charter companies to initiate service into Las Vegas. Las Vegas currently has a larger market share of international visitors than either Chicago or Boston.

Clark County has made a significant commitment to McCarran International Airport, a commitment reflected both in policy adoption and actions, and through funding. Insuring airport capacity and safety will require more than a local commitment to meet future domestic and international aviation needs. Federal funding must be provided to ensure continued adequacy of the national airport system. The United States Congress has the enabling authority to support established and anticipated aviation needs through Airport Improvement Program budget allocations, and by legislation enacting a passenger facilities charge. Clark County has committed to their local role in providing and maintaining the best aviation facilities possible; however, federal support must be forthcoming in the form of adequate federal funding of aviation facilities if these aviation demands are to be successfully addressed.

McCarran International Airport is the 16th busiest airport in the United States by operations and the 22nd busiest by total passenger volume. Enplaning/deplaning more than 16-million passengers each year, and with some 360,000 annual operations, McCarran International Airport is considered a pacer airport by the Federal Aviation Administration and a vital part of the national aviation system.

Operating today without capacity constraints, McCarran International Airport repeatedly leads the nation's airports in on-time arrivals. The airport presently handles more than 1,000 operations daily including scheduled carrier, charter carrier, commuter, and general aviation aircraft. McCarran International Airport is one of the few major air carrier airports in the United States with the capacity to grow. Additionally, McCarran is not a joint use field, and is not required to share runway capacity with military aircraft operations.

Located in the Mojave Desert, McCarran International Airport does not suffer the poor weather conditions with inflict most major hub airports. Although a full ILS aviation facility, McCarran operates under visual flight rules about 97% of the year.

To protect and maintain this capacity, Clark County, owner and operator of the airport, is presently constructing a new air carrier runway, scheduled for operation in 1991. Clark County additionally purchased a general aviation reliever airport some 12 miles from McCarran, and with the FAA, is investing $40 million in airfield and terminal developments for the North Las Vegas Airport. When complete, a significant number of general aviation aircraft are anticipated to relocate to this facility, further enhancing the air carrier capacity at McCarran.

Clark County has made a significant commitment to maintaining capacity and safety at McCarran. Strict land use controls, applied through zoning and development ordinances, protect McCarran from incompatible development and encroachment within airport environs. Clark County has received Federal Aviation Administration approval of a Part 150 Noise Compatibility Study, providing eligibility for federal funding for mitigation and abatement of noise impacts and providing legal protection from lawsuits based on those impacts.

Within the last two years, Clark County purchased more than $100 million of property around the airport for future development and has budgeted another $135 million over the next five years for additional land acquisition. Even with a new air carrier runway presently under construction, McCarran has the potential of developing an additional air carrier runway as aviation demand and growth requires. Clark County has already protected the future ability to develop this runway through land use controls, land acquisition, and environmental work.

4. What has been the level of state and local tourism support, including funding for tourism promotion?

Over the last ten years, Las Vegas has been cultivating the foreign market. The Las Vegas hotel properties maintain offices in certain foreign countries, and promote travel to Las Vegas. Millions of dollars of advertising and sales efforts have been expended in these areas.

The Las Vegas Convention and Visitors Authority annually spends $17 million to promote Las Vegas as a tourism and convention destination. Approximately 1 million dollars is dedicated to the promotion of foreign travel.

Las Vegas in partnership with Reno and the State of Nevada opened a sales office in Japan to promote Pacific Rim travel. At the present time, another office is being opened in Taiwan. Early in the Spring of 1990, a sales office will be opened in Europe. The State currently spends $2.5 million promoting travel to Nevada.

5. How does the Las Vegas Convention and Visitors Authority target particular areas to attract convention business to Las Vegas? Does USTTA help in these efforts?

The Las Vegas Convention and Visitors Authority targets particular areas to Las Vegas from our own research into the top 5 countries for Las Vegas (Canada, Japan, Great Britain, Germany, and Mexico). We also utilize the USTTA generated numbers for total international visitors to the U.S. to develop both travel and convention oriented marketing plans, strategies, and programs. We also develop sales leads by attendance at international travel trade and convention oriented shows.

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Senator ROCKEFELLER. Thank you, Mr. Sain.

Senator Bryan.

Senator BRYAN. Thank you very much, Mr. Chairman. If you would allow me to make an aside as an observation, the Las Vegas Convention and Visitor's Authority recently celebrated its 30 year. Frank, if I recall, for those who have any reservation about the importance and what tourism can mean to an economy, in 1960, Mr. Chairman, the metropolitan area of Las Vegas had a population of less than 150,000.

By the time the decennial census next year is taken, it will exceed 700,000. Most of that growth has been stimulated by tourism and under the leadership of Frank Sain and the board and the very able staff that he has. Frank, I appreciate very much your being here.

Let me just ask you a couple of questions because I know the Chairman needs to move on to another hearing following this one. Aside from the funding limitations—and I think many if not all of us in the committee would share that observation that that has been a very limiting and from my point of view a very disappointing aspect of the relationship with USTTA, you mentioned in your testimony the need for additional materials, that type of thing, brochures.

Frank, as you travel are there any impediments, any barriers that exist that you could share for Senator Rockefeller, our Chairman and myself that we need to be sensitized to? You do a lot of traveling.

I had the privilege of traveling with your able staff to Japan, Taiwan and Korea as governor. What can you share with us that you think as a country recognizing that although my interest is Nevada and the Chairman's is West Virginia, we sit here and are drafting policy for the country.

We obviously have a broader perspective in addition to our parochial responsibilities. What insights can you share with us? What can we do better as a country? What are we not doing as well as we ought to, putting the funding equation aside, what kind of barriers, limitations, difficulties do you see that prevent us from achieving the full potential that you would like to see for us in Las Vegas and that the Chairman would like to see in West Virginia and that all of us would like to see for America?

Mr. SAIN. I think as we travel the world, the U.S. is perceived as a very friendly, gracious land, and everybody wants to come here. The trouble is we are just not getting enough information out to those people telling them how easy it is actually to come here.

I realize that we have been trying to make it easy with visa waivers and things of that nature. I think those are all positive. However, I think places like Las Vegas, we have got to make it easier with more direct flights from those international locations right to our individual cities.

I think the secret is more funding for the U.S.——

Senator ROCKEFELLER. Do you have any of those?

Mr. SAIN. No, just charters.

Senator ROCKEFELLER. Do you have direct service from the East Coast or the West Coast, nonstop service?

Mr. SAIN. Yes, we do, by way of Atlanta and also now with America West. We go into Friendship, Baltimore, and we go into the New York market.

Senator ROCKEFELLER. Nonstop?

Mr. SAIN. Nonstop.

Senator ROCKEFELLER. That is very helpful.

Mr. SAIN. Yes, that is very helpful. We can look at the nonstop traffic, and that is where our great growth is, nonstop. Most of it, of course, stops by the Mississippi, and you have to transfer either at Dallas or Chicago or one of those intermediate places, maybe Denver.

But going back to Senator Bryan, I believe we have to make it easier for these people to come here. I think what USTTA is doing in trying to get that message across is good, but it has to be intensified about 10 times. I think when we accomplish that, we will have more visitors. There is nothing more restricting their desire to come to the United States. At least I know in Las Vegas they all want to come, but it is just trying to facilitate them getting here and providing them with the information to do it.

Senator BRYAN. Frank, we have heard on this committee and through our visits with other leaders in the tourism industry that we are limited with the number of people in this country who are bilingual and multilingual, that that is going to be a bigger challenge for us in the future.

The notion that all of us are flattered and feel far more comfortable that when we travel to a foreign country, if someone speaks English, it is flattering to the visitor. It obviously makes it easier and a more comfortable experience. How well are we doing in that area and if you have some suggestions in those places that are fortunate to have a university, to what extent do we link in with the university community or even the secondary school system where foreign language does not have the kind of profile that a lot of us would like to have, but at least it is taught.

Mr. SAIN. We do not really have a problem in Las Vegas because we are an international city, so all hotels, of course, have multilingual interpreters there.

We also have that service through UNLV and also through a private services. Various cities provide these type of translation services, but we need to spend more efforts there. It is far and few in between. As you say, in going to Europe you are easily understood, just being able to speak English because they do have, I guess, that as a secondary language in about every country.

But a lot of cities have to address that if they want to really get into this international marketplace because that is where the people truly feel comfortable, when you speak their language, and you take the time to extend yourself to them.

Senator BRYAN. Frank, thank you very much for coming back here and testifying.

Mr. Chairman, I thank you for your indulgence as well.

Senator ROCKEFELLER. Thank you very much, Senator Bryan, and, Mr. Sain, I also thank you.

It occurs to me that when I said Hawaii is premier in this business of tourism, it has such a mystique about it, but Nevada is right up there, too. In other words, I think that as a state you have been as aggressive or more aggressive about it and, of course, Governor Bryan was involved in that, too, and I have to respect that very much. It is important to you. You do it well, and if you are talking about 100,000 hotel and motel rooms by the year 2000, you are obviously planning very well for the future.

So, I want to thank you also for coming and talking to us.

Mr. SAIN. I thank you. While I would like to take all the credit, I cannot.

Senator ROCKEFELLER. Actually, I was not giving you all of the credit. I was giving some to Senator Bryan.

Mr. SAIN. But I want to go back, Senator, years to the forefathers who indeed created the authority and the hotel room tax with the authority is 84 percent of the hotel room tax. That is why we are successful, because we have the financial wherewithal to do what we say.

Senator ROCKEFELLER. And that was a battle that we just won in West Virginia within the last three years, I think, so we can look forward to that, to 100,000 rooms.

Mr. SAIN. That is right.

Senator ROCKEFELLER. Mr. Liming.

STATEMENT OF ROBERT G. LIMING, DIRECTOR, SOUTH CAROLINA DIVISION OF TOURISM, COLUMBIA, SC

Mr. LIMING. Thank you, Mr. Chairman. I apologize for getting some of my material to you and the committee very late due to the recent hurricane.

I have a letter from our Governor. I would just like to read it. It is addressed to you, Senator, but I hope you will indulge me.

The last four weeks in South Carolina have been an unusual four weeks for us in the tourism industry. We are open for business and doing exceedingly well, but this is a letter from South Carolina Governor Carroll A. Campbell, Jr.

> I would like to take this opportunity to applaud your introduction of the Tourism Policy and Export Promotion Act of 1989 and to express my support for this legislation. The importance of tourism to our country's economy is undeniable.'
>
> In my own state the travel and tourism industry is our second largest employer and generates several times our initial budgetary investment in revenues. Your bill provides the necessary focus to give tourism the recognition it deserves as a major component of the United States economy and an important U.S. export.'
>
> Further, the reauthorization of the United States Travel and Tourism Administration is a vital element to any competitive tourism policy. I am pleased that Senator Hollings joins you as a cosponsor, and I look forward to working with both of you for passage of this bill. Sincerely Carroll A. Campbell, Jr., Governor of the State of South Carolina.

Senator ROCKEFELLER. That is a very helpful letter, and I appreciate it very much, and I hope you convey that feeling to the Governor as will I.

Mr. LIMING. And again, I apologize, but recent weeks have kept us all a lot more busy than usual back home.

Senator ROCKEFELLER. We understand that.

Mr. LIMING. Mr. Chairman and members of the subcommittee, I appreciate very much this opportunity to appear before you this afternoon. I am Robert G. Liming. For the past 10½ years I have been State Director of Tourism for the South Carolina Department of Parks, Recreation and Tourism, which I might add is about twice the life expectancy of most travel directors.

I have submitted my written comments for the record, and I would just like to summarize a few points here before responding to any questions you may have. Please let me commend this subcommittee and in particular you, Mr. Chairman, for your longstanding recognition and steadfast support for the economic contribution the travel and tourism industry makes to our nation.

Regrettably too few policy makers here in Washington share your understanding, a situation which we trust this hearing and this legislation will significantly improve.

As you know, travel and tourism is dollars, big dollars, and it is jobs, jobs for American workers, and it is real economic growth. Nationally 5.5 million Americans are directly employed in this industry ranking it second only to the health services among all private employers. In 80 percent of the states it is the first, second or third largest employer.

In terms of our balance of trade, travel and tourism is one of our brightest hopes. In 1988 $37.1 billion was brought into the United States by foreign visitors making travel and tourism our single largest export, ahead of agriculture, computers, chemicals, automobiles or anything else.

We in South Carolina especially appreciate the economic benefits of travel and tourism. It is our second largest employer providing 98,000 jobs and $888 million in payroll earnings for our workers. Last year visitors spent nearly $4.7 billion in our state and thereby provided about $489 million in total Federal and State tax revenues for our state and Nation, but I must emphasize that this level of achievement and progress has not occurred as a part of the natural order of things. We in South Carolina have worked hard, private sector, legislature and governor together, to make our state an attractive destination.

The investment by our state has proven highly successful showing a return of $82.06 for every promotional dollar invested by the state in international marketing. Over the past 10 years South Carolina has initiated an innovative, and I say with some pride, successful international tourism trade program. I provided some of the details of that program in my written submission. Let me note that in 1988 we had 56,000 Western European visitors, who spent more than $16.8 million in the Palmetto State.

Overall in 1988 South Carolina welcomed over 350,000 international visitors, including our friends from Canada, where we have marketed for nearly 20 years. The cooperation and support we received from USTTA, especially through co-op marketing programs was invaluable to our state in making this progress.

This brings me to the legislation at hand. USTTA is presently unable to provide the level of service and support most needed by South Carolina and dozens of other states, big and small. More bluntly, USTTA is currently unable to provide the level of service and support our nation needs as we strive to compete in the global tourism market, a market in which nations compete against nation and in which the United States has seen its global market share steadily decline over recent years.

Our experience in South Carolina has certainly confirmed that USTTA has highly skilled and experienced professionals who know their jobs and who know this global market and this dynamic industry. But our country has simply not given them the resources necessary to do the job.

There is much to like in the Tourism Policy and Export Promotion Act. We can only commend and endorse the sections that would improve the statistical activities of USTTA, those that would create a rural tourism foundation and involve the Commerce Department in the scenic byways initiative. You have come up with a good piece of legislation, a solid, sound piece of legislation, and certainly we applaud you, and I really feel compelled to thank you from the bottom of my heart as the former chairman of the National Council of State Travel Directors for recognizing the need to increase membership on the advisory panel by adding representation from the states and the cities.

We are big players now, and we have to work together, and you have given us the opportunity to fully participate in your proposed changes in the existing policy.

And also, even though it has been addressed in another way by some others today, we thank you for giving us a proposed role in approving of the agency's annual marketing plan. In this way we are working together, united as one, to sell the United States to the world.

We are concerned, however, with one factor of the bill, the authorization levels called for at present. Surely there is no one unfamiliar with the tough decisions that will have to be made in light of our enormous federal budget deficit.

I must respectfully submit, however, Mr. Chairman, that because of our lack of support for tourism, our nation, and our people are deprived of an enormous economic potential. In light of recent disasters in South Carolina as well as in Alaska and California, the importance of travel and tourism has never been clearer to the American people.

When virtually every news event laments the terrible impact of these calamities on local tourism, it becomes tragically apparent that we are not talking about trivial or nonessential activities, but about a vital industry which plays a major role in millions and millions of lives.

These sad events also remind us all that the states and communities cannot do the necessary tourism promotion and marketing alone. The federal government has a vital, indispensable role, most especially in the international arena. We strongly urge that financial resources sufficient to the task at hand be committed in the form of substantially greater budget authority for USTTA.

You and your distinguished subcommittee have performed an outstanding public service in bringing these issues before the American people, and I urge you to continue your efforts in deliberations, as I know you will, as we all work together to ensure that this nation's travel and tourism industry receives the attention, recognition and support that it so rightfully deserves.

Tourism is going places and growing faster than our dreams. Together with your continued support, we can help it soar to unheard of heights. Thank you for your continuing support, and I will be glad to try to answer any questions you may have.

[The statement and questions and answers follow:]

STATEMENT OF ROBERT G. LIMING, STATE DIRECTOR OF TOURISM, SOUTH CAROLINA DEPARTMENT OF PARKS, RECREATION AND TOURISM

Mr. Chairman and members of the Subcommittee, it is a pleasure and an honor to be invited to speak before the Subcommittee on Foreign Commerce and Tourism on a subject which is very important to me and my state--as well as our nation. The travel and tourism industry is faced with challenges for the coming years--challenges that this government cannot afford to let pass by. But these challenges also present new opportunities for the tourism industry to expand, and with it the U.S. economy.

As the State Director of Tourism for the South Carolina Department of Parks, Recreation and Tourism, a position I have held since 1979, I have developed a true appreciation for the value of tourism marketing and promotion. I have also developed a keen awareness of the value of close cooperation between the private and public sector as well as between federal and state governments. I am also the immediate past chairman of the National Council of State Travel Directors, a member of the Board of Directors of the Travel Industry Association of America, and of the U.S. Congressional Travel and Tourism Advisory Board. I was also recently appointed to the USA Marketing Council, the Travel Industry Association's private sector coordinating council for industry-wide international and domestic marketing programs. And perhaps of greatest interest to the Subcommittee, I am also a member of the Travel and Tourism Government Affairs Council, which represents the collective industry on governmental issues. These activities, I feel, have given me a unique view of the various needs, problems and opportunities facing the travel and tourism industry.

As our nation struggles to compete in a global market, travel and tourism needs to be properly recognized as a vital and essential trade development tool. Too often travel and tourism is considered in terms of its individual segments--airlines, hotels, restaurants--rather than as the key multi-billion dollar industry that travel represents. Tourism is far too often viewed as a non-essential, trivial industry that contributes little of importance to the nation or its economy. What a tragic and totally inaccurate view!

This image has brought a low priority to travel and tourism in the federal government arena, and by extension to the efforts of our national tourism office--the U. S. Travel and Tourism Administration--to market the United States internationally as an attractive and affordable tourism destination. America has always been a highly popular destination, but if a destination is not advertised and promoted properly, it will not remain popular, and it certainly will not increase in popularity. Travel and tourism is a highly competitive global industry. We can no longer stand back and assume people only want to come to the United States, when other nations are eagerly fighting for our potential customers and their marks, yen and pounds.

Travel and tourism is dollars, big dollars. And it is jobs, jobs for American workers, and it is real growth. Travel and tourism is our nation's largest export. And the U.S. Travel and Tourism Administration recently announced that $37.1 billion was brought into the United States in 1988 by foreign visitors. That's more than the export income America earns from exporting agricultural products, chemicals or automobiles--or, for that matter, any other export.

We in South Carolina are especially aware of the value of international tourism. We certainly did not need Hurricane Hugo, or the media deluge that followed the storm to remind us of the importance of travel and tourism to our economy. In 1988, South Carolina had 56,000 visitors from Western Europe, who spent $16.8 million. Overall, in 1988, South Carolina welcomed over 350,000 international visitors, including our friends from Canada where we have marketed for nearly 20 years.

As a service sector industry, travel and tourism creates many vitally-needed jobs. Travel and tourism is the second largest employer in South Carolina, providing 98,000 jobs and $888 million in payroll earnings. Nationally, travel and tourism provides more jobs than any other private employer except health services and in 80 percent of the states, it is the first, second or third largest employer.

Travel and tourism is an industry which actively and consistently contributes to the economy. Visitors spent nearly $4.7 billion in South Carolina in 1988 providing $489 million in total tax revenue (including $208 in federal and $281 in state tax revenue). These are big numbers in South Carolina--they mean jobs, taxes, retail sales--they mean economic well--being for our citizens.

South Carolina, I am proud to say, offers something for everyone. And while most travelers come to South Carolina for the sun and the surf our coast offers, we are seeing increasing interest in other attractions and areas of our beautiful state. Increasingly, travelers visit South Carolina for our golf courses, water sports, tennis courts and for the small town charm that we provide in abundance.

Visiting rural areas provides a first hand glimpse of the true color, the character, the spirit and the history of the United States. We have seen a substantial increase in the number of visitors to the rural regions of the state as visitors venture away from the coast, or simply find South Carolina a convenient and interesting stopping point between destinations. With a continued interest in travel to new and different destinations, and as travel costs to other countries increase, South Carolina continues to compare favorably with those other destinations.

Clearly, travel and tourism has become a vital economic tool for every state-large or small. We in South Carolina have worked hard to make South Carolina an attractive destination. Investment by the State of South Carolina in international travel and tourism has proven highly successful, showing a return of $82.06 for every promotional dollar invested by the state. This is an impressive return, a sound and reliable investment for the future.

The state of South Carolina has initiated an innovative, and I say with some pride, successful international tourism trade development program. I would like to discuss this program for a minute. After a study of programs in other regions and states, the South Carolina Department of Parks, Recreation and Tourism initiated a Tourism Marketing Program in 1980 designed to attract more international tourists, concentrating primarily on those from the lucrative Western European travel market.

PRT placed emphasis on working with major firms and travel agents responsible for bookings to the United States-with the goal of including South Carolina in USA travel arrangements. PRT was also aided by participation from the private sector and, I would emphasize, we received strong support and guidance from USTTA.

In 1981, the initial year for the marketing program, an estimated 17,000 Europeans visited South Carolina, spending over $4 million dollars. This represented a return of over $43 for every dollar spent on the marketing program when compared to the current 1988 return of $82. Familiarization tours to South Carolina for select travel agents, brokers and travel writers were helpful in expanding this program. Again USTTA assistance proved invaluable.

In its second year of operation, the PRT marketing program was selected by the Travel Industry Association of America as the most outstanding state travel marketing program in the country. The Congressional Travel and Tourism Caucus also highlighted our efforts at their annual meeting.

Despite a strong dollar in 1984, travel and tourism gained in South Carolina. PRT developed a German language film and video presentation for travel agents, and also hosted numerous seminars for international travel professionals.

A continued strong dollar in 1985 meant fewer visitors from Europe, but, South Carolina maintained its share of the market. A strong showing in the face of a strong dollar can be credited, in part, to the state's participation in USTTA-backed travel trade shows that helped increase European trade contacts to more than eight hundred.

A strong recovery for international visitation was felt across the country in 1986 and South Carolina experienced a record year. By 1987, visitors from Western Europe to South Carolina totaled nearly 36,000 and spent $8.6 million. South Carolina also continued its strong growth through 1987. Western European visitors were now spending from $80 to $120 per day per person in South Carolina. Western Europeans visited the state for an average stay of three days. PRT produced special newsletters in 1987 and placed them as centerpieces in a German travel trade publication. Not coincidentally, 1987 was also the year that South Carolina participated in a major way with USTTA's cooperative marketing program. For example, we advertised, with many other tourism industry partners, in a major German publication as part of a USTTA advertising supplement. I must emphasize that this is not something that would have made sense for us to do on our own. The ad generated over 4,000 consumer responses and directly led to three editorial features in the German press on South Carolina. The cost to South Carolina was miniscule--the impact on our economy, however was substantial, and directly generated by USTTA's programs. We have continued to participate in USTTA's programs both individually and as part of a region such as Travel South--with similar success.

We see a continued strong position for South Carolina for the rest of 1989 and well into the 1990's. Major airlines are becoming much more aware of the outstanding travel product our state affords the international visitor. As a matter of fact our state and Delta Air Lines have entered a cooperative trade show marketing program in West Germany for the second consecutive year. Our state has been buoyed by additional service to our region, including USAir's Charlotte, N.C.-London non-stop flights and the expansion of new service throughout the South.

The success of our South Carolina program is the result of hours and hours of hard work by many within our agency, and the overwhelming support of our private sector tourism industry partners. However, the real success is due to the outstanding support our program has received from our governor, and our state legislators--our elected officials have supported and funded our efforts. Without this state government backing we would have surely failed.

I am sure the parallel is clear: our country must support and adequately fund the United States Travel and Tourism Administration if our nation is to remain truly competitive in the international trade arena. Otherwise, the decline in global tourism market share that this country has suffered the last five years will continue.

USTTA has been a vital part of our program in South Carolina and throughout the South. They have assisted with familiarization tours, literature translation, economic impact figures for foreign visitors, cooperative advertising, trade missions and untold hours of technical assistance. They have done a heroic job with woefully inadequate funds. They need and deserve our total support and understanding. Tourism is essential for the economic well-being of our nation, and USTTA is vital for our industry to fulfill its economic potential.

I know that I am preaching to the choir in that your Subcommittee has done an outstanding job in focusing attention on the vital role of travel and tourism in international trade and I thank you from the bottom of my heart. Let us now join together private sector, state government, federal government and Congress to make the United States the leader in international tourism and trade.

With a minuscule budget, USTTA has achieved much, but much more needs to be done if U.S. tourism is to compete successfully in the long term. An industry as economically promising as tourism must become a national priority within the framework of a long-term strategic economic policy, particularly within the context of international trade. Mr. Chairman, I welcome these hearings as a way to help elevate travel and tourism to become a much greater national priority.

This finally brings me to the legislation proposed by you, Mr. Chairman, and the members of this Subcommittee. I believe that the "Tourism Policy and Export Promotion Act of 1989" will be a very major step towards giving travel and tourism much greater national priority status. Such action is long overdue and I congratulate and thank you for your leadership. In terms of the specific provisions, I need add only my explicit endorsement of a few sections. First, I commend your attention to rural tourism development. While South Carolina may not always be thought of as "rural" in the traditional sense, it is certainly among the lesser known destinations to international visitors and could greatly benefit from some of the programs the proposed foundation might offer. Second, I am pleased that the bill will improve data collection and analysis. This is an area where the travel industry has been woefully shortchanged by the federal government. I find it embarrassing that we did not know until this summer that tourism was the nation's largest export--and only then because USTTA's inflight survey was recognized to be the definitive source of inbound tourism statistics. Third, I am pleased that the legislation will add an additional state tourism representative to USTTA's advisory board. The states, as you know, are extremely active in international tourism promotion, and I believe could both contribute to and profit from, increased involvement with USTTA's program planning process.

If I we're to take exception with anything in the bill it would be with the funding recommendations. Surely there is no one unfamiliar with the tough decisions that will have to be made in light of the enormous budget deficit we continue to carry. I must respectfully submit, however, Mr. Chairman, that because of our lack of support for tourism we are cutting off our nose to spite our face. In light of recent disasters we have seen in South Carolina as well as in Alaska and California--I must tell you it has become dramatically clear that the states need your help. We cannot do the job alone. Tourism represents an opportunity to survive or thrive. It is time to make a choice.

You and your distinguished Subcommittee have performed an outstanding public service in bringing these issues before the American people and I urge you to continue your efforts and deliberations as we work together to ensure that this nation's travel and tourism industry receives the attention, recognition and support that it so rightfully deserves. Tourism is going places and growing faster than our dreams; together, with your continued support, we can help it soar to unheard of heights.

I thank you for this opportunity to appear before you this afternoon.

PRT
Fred P. Brinkman, Executive Director

Division of Tourism
Robert G. Liming, Director
(803) 734-0135
FAX (803) 734-01[illegible]

November 17, 1989

The Honorable Ernest F. Hollings, Chairman
U.S. Senate Committee on Commerce, Science, & Transportation
Subcommittee on Foreign Commerce and Tourism
Suite 428, Hart Building
Washington, DC 20510

Dear Senator Hollings:

I want to thank you for extending me an opportunity to respond to your specific questions concerning the Federal Tourism Policy Act. I regret that the press of business resulting from our recent storm and my ongoing duties have prevented me from being overly detailed in my response. I have, however, attempted to answer your questions in a manner that I hope you and Senator Rockefeller will find useful.

I also want to assure you that should you have need for any further information that we in the South Carolina Division of Tourism can provide, we stand ready to assist you and your fine committee in every way possible. I also want to thank you again for your outstanding and steadfast support of America's vital travel and tourism industry.

My best wishes to you and your family for a most joyous Thanksgiving.

Sincerely,

Bob Liming /el

Robert G. Liming,
Director of Tourism

RGL/edl

c: Ms. Sally Susman, Commerce Committee Staff

South Carolina Department of Parks, Recreation & Tourism · 1205 Pendleton Street · Columbia, South Carolina 29201

Question One

How could your state further its tourism efforts with a monthly tourism statistical report? Would such a report make any difference? What sort of statistics would help South Carolina with its marketing efforts?

Monthly reports would give our office a great deal of data to work with in developing visitor profiles and volume levels. We could use the data for quicker response in shifting marketing emphasis in attracting visitors. It would also enable us to obtain greater public awareness of the impact of our international marketing programs by using this solid comparison data that is still timely in news releases, presentations and industry features.

Data desired would include demographics of visitors, origin, length of stay, visitor destination, spending levels, and the interests and activities engaged in while traveling. This information when coupled with overall international travel spending in the United States could be of great benefit in helping our state do a better job of gaining public support for our international programs.

Question Two

How could USTTA better market rural areas as a tourist destination? How can private sector businesses co-market these rural areas?

I feel that a USTTA effort to market our rural areas is a very noble goal and a sound objective, however, I must really question how far we can go in this direction without adequate funding of the current effort to lure international visitors to our nation. In simple terms, fully adequate funding of current USTTA efforts must be in place before we can really embark on a new rural tourism development program.

Many states, including South Carolina, have well organized ongoing rural or community development programs aimed at boosting tourism in more rural areas and we would welcome solid programs from USTTA in this area. As we have already noted this will require additional funding for USTTA in both marketing and program development.

USTTA could be of great service in establishing some form of development funding for rural tourism in the form of cooperative brochure production, advertising and tourism assessment projects. I understand that some of this outreach is available within the federal system, but USTTA could work as a coordinator or facilitator in this area. Currently the myriad of federal programs causes a great deal of confusion to the less sophisticated rural tourism people who find it difficult to obtain information and often run into problems from federal agencies who see no apparent value in tourism as a business. We need to do all we can to inventory available federal services under one umbrella, more of a clearinghouse approach. USTTA could be the ideal agency to serve in this manner.

I believe that private businesses could help us co-market rural areas through effective and efficient cooperative marketing programs similar to those already developed by USTTA in the international market.

The issue of rural tourism development is a very important one that should be very carefully studied. I understand that there is a final version of the USTTA Rural Tourism Study and this should be carefully reviewed. I have some concern that the federal government may end up duplicating what many state travel offices now do in rural tourism development. I am intrigued by the proposal to establish a Rural Tourism Foundation and feel that this proposal affords some excellent possibilities for further private sector cooperation, although I wonder if it should not be broadened to encompass all tourism in this nation and not be limited to rural tourism.

Question Three
What has been the annual level of support by your Governor and state legislature towards tourism export marketing programs?

Our state travel office has received outstanding support from our Governor and General Assembly for our international marketing program. From an initial appropriation of $95,000 for 1980, the funding has grown to a present level of $605,000 annually. In addition, we have received support from both the local, public and private sector for numerous cooperative and special promotions aimed at attracting additional international visitors, this in-kind service is worth an additional $350,000 annaully.

Question Four
Has the South Carolina legislature ever considered funding its tourism marketing efforts with a user fee, transportation fee, sales tax or any other fee or tax?

The only "user fee" that PRT and the Division of Tourism benefit from would be a portion of the state's admissions tax. This tax is placed on fees for all kinds of activities, such as golf, theatres, bowling and athletic events (see attachment). For the past ten years we have received all collections of this admissions tax after the first $3.5 million has been collected and deposited in the state general fund. The first year, PRT's portion amounted to less that $1 million but this year's share should reach $5.2 million. Over one third of this funding is shared with local public sector entities through a matching grants program and special grants. The remainder is used by the division for advertising and promotion of tourism. Approximately 55% of the Tourism Division's budget comes from this source. The overall budget for the Tourism Division has grown over the past ten years from $2.7 million to the present $8.9 million.

South Carolina does have a 2% Accommodations Tax that is levied statewide on lodging room rentals. This is considered a local tax since it is returned to local areas. Most of the funds go back into the counties where they were generated. A small portion is shared with counties not generating much revenue. This year's accommodations tax is expected to generate over $14 million with 25% of the collections earmarked for tourism promotion and almost all the rest for tourism related services.

Question Five
Could you discuss your experiences with the USTTA Advisory Board and what viewpoints a state Travel Director can add to USTTA?

While the South Carolina Division of Tourism has received excellent cooperation from USTTA Washington-based staff and field offices, over my nearly twelve years of public service, we have received virtually no contact from the Advisory Board. During my tenure two of the three state travel directors who served on the Advisory Board came from states that did not even have a stand alone international tourism marketing program, namely Kansas and Georgia. The period when the Florida director served at least offered some expertise in the field of marketing. I am distressed that there has been virtually no contact between the state travel offices and the Advisory Board in any formal manner. Communication is the key in the travel and tourism industry and I feel that we have received very little communication from the Advisory Board in past.

I welcome the proposed revision in the Tourism Policy Act that would attempt to gain more recognition and involvement from state travel offices. This is a much-needed change that will give the states more involvement in the development of marketing plans and strategies. It is very important to note that the state travel offices already spend far more than the total USTTA operating budget to market their individual states to the international audience. It is clear they need and deserve a more active role in the advisory process.

A state travel director can offer the Advisory Board a real "grassroots" view of the industry and the needs of the states. I feel that this view is often overlooked by those who feel that the world centers around the ideas in Washington. A real blend of outspoken men and women who can share ideas and develop common thoughts that will gain widespread support for USTTA programs and goals is needed on this Board. In addition, the state travel director appointed to the Advisory Board must be willing to make a solid commitment to service. In the past, far too many times a director has been named who is not actively interested in the program and he or she has not really become involved. The Advisory Board is a key position and should be represented by individuals who are willing to devote time and resources to this high public service. In addition, the person must be willing and able to honestly and fairly express the views of the nation's state travel offices.

I applaud the proposed changes in the Tourism Policy Act that would give the Advisory Board more direct involvement in the marketing plans and programs of USTTA. This is a very valid step in the right direction. I fully understand that no bureaucrat wants to have advisors second guessing program decisions, but I can assure you that every state travel office in America has a commission, advisory panel, or review board that in some way reviews marketing plans and concepts, and I don't see where this would hamper the objectives of USTTA. This proposed review procedure would help the Advisory Board to become more actively involved while encouraging all of us from the federal agency level to the private sector to work together for the common good of the nation's travel industry. Cooperation and compromise can be the key to successful marketing programs in the decades to come.

A state travel director can add much to the make-up of the Board by providing current views on marketing, contemporary regional marketing concepts, reflection on the views of other travel directors, some balance to the problems encountered by states and cities in marketing tourism product, and simply to provide an efficient and effective bridge between the federal government approach and the efforts of the local community, both urban and rural.

In the past, many have viewed this Board as ceremonial or prestigious, but with little actual ability to get the job done. It would be my hope that in the future this Board could be viewed as an integral part of the process of helping all of us as we work together to market America's tourism product.

SOURCES OF SOUTH CAROLINA'S 4% ADMISSIONS TAX
FISCAL 1987-88

SOURCE OF ADMISSIONS TAX COLLECTIONS	AMOUNT OF COLLECTIONS	PERCENT OF TOTAL
Golf Course Green Fees	$2,645,996	32.9%
Theatres	1,616,232	20.1%
Amusement Parks and Rides	717,704	8.9%
Night Clubs, Dances and Bands	521,991	6.5%
Bowling	482,563	6.0%
Auto Racing and Motorcycles	335,849	4.2%
Athletic Events	332,526	4.1%
Traveling Shows and Carnivals	245,600	3.1%
Miniature Golf Courses	245,219	3.0%
Promoter Collected Fees	224,998	2.8%
Golf Driving Range and Tennis	223,608	2.8%
Skating	98,118	1.2%
Sightseeing Attractions	56,139	0.7%
Miscellaneous	296,194	3.7%
TOTAL COLLECTIONS	$8,042,737	100.0%

SOURCE: Information Provided by the South Carolina Tax Commission

Senator ROCKEFELLER. Thank you very much, Mr. Liming. Let me just ask you one that obviously occurs to all of us. I think I heard on a news report within the last two days that tourists are already beginning to come back into Charleston, South Carolina, to look at some of the beautiful old buildings there. That was a very heartening thing to me. Is that true?

Mr. LIMING. Yes, it is a tremendous positive situation. I wish Senator Hollings could be here at this moment, but I know he had another committee hearing to participate in.

Our industry has pulled together, united. Unfortunately you, as members of the U.S. Senate know, sometimes the news media has difficulty understanding all of the situations and some of the reporting was frankly inaccurate. We have 90 percent of the properties back on line in Charleston.

The "Grand Strand" and Myrtle Beach area has done a phenomenal job. 62 of 63 golf courses are fully open. Hilton Head, the 12-mile long beautiful resort island where the Nabisco Tournament will be held this weekend, was never impacted by the storm, contrary to what some of the media reported. We have had a difficult time getting that message across. We are trying to do that.

I might say at this point that one of the situations or problems with the disaster assistance and such, to my knowledge, nowhere in the federal disaster program—and I think Congress has done an outstanding job of trying to respond with money—is money provided to make up those needed state tourism promotional efforts—that word about being open for business, getting the word out, there are no funds available. We have depleted a good portion of our regular budget. We have gone into money that we would have spent in Japan or other areas to get the true facts of the situation out, and we have been very busy in the last four weeks in doing that.

Senator ROCKEFELLER. That is very heartening news, and you are right. When tragedy hits, people just assume that it is everywhere, and it is not. It was very specific. In fact, it was very interesting to me that everybody had Hugo plotted down in a direct course right through Washington, D.C., and to do so it would have had to have changed its course, and what it did was simply go straight ahead.

In fact, logically what it probably should have done is not come to Washington at all, and I am delighted that some of your areas were spared. Now, South Carolina has a long history of reaching out to the rest of the world for industrial development, and you have backed that up. In fact, I think it started under Governor Hollings.

Mr. LIMING. Yes, sir.

Senator ROCKEFELLER. He started an excellent technical education program, a massive technical educational program to complement what it was that you were trying to get the folks from overseas to bring in in the way of industries. Clearly you have been successful with tourists. They come to you. You aggressively pursue them.

In the manner of training people to handle tourists one always assumes, you know, that a country opens or a restaurant opens and that the people go out and they hire people who are trained to do this and that.

Well, at some point in South Carolina you are dealing with different languages. In your technical training programs or in your college level programs, do you have an emphasis or a capacity for training for tourism?

Mr. LIMING. Yes, we do. We have three institutions that do it. Clemson University has a College of Parks, Recreation and Tourism Management. The University of South Carolina has a hotel, restaurant, tourism administration program, and our state technical education system has three of their 18 campuses which have a full program in tourism training.

I am a little prejudiced because I am on the part-time faculty of the University of South Carolina staff, but we like all three of the programs.

Language is a difficulty.

Senator ROCKEFELLER. That is not common, is it?

Mr. LIMING. No, it is not, but I think that says something about what has happened in South Carolina. With Senator Hollings, Governor West, Governor EdwardsGovernor Riley, Governor Campbell, our governors, regardless of whether they are republican or democrat, conservative or liberal, have recognized that this is an industry, a vital industry. I think in far too many other states, and I have seen and heard it from my counterparts—in other travel directors—in their states industrial development overshadows tourism, and tourism regarded as one of those frivolous things that people say we can do without.

But, in reality it is a vital part of trade, of economic development, and it is far to often overlooked. I think what we need to do—and this is why I cannot commend you enough, Senator, for the attention you and your subcommittee have focused on thisissue—you know, people are now awakening to what many of us in the hinterlands have been saying over and over again. Your committee, giving it this attention in the hearings—and I was fortunate enough to be at the initial hearing with Mr. Tisch several weeks ago—this is just the kind of attention we need.

I regret a little bit, I was hoping I would hear some more enthusiasm here because, you know, in 12 years you get pretty bored having to go back for funding every year, and that's for USTTA budget funding, and every year I can show you file folders full of letters that I have written. But now we have a subcommittee out there actively and aggressively going after this, and I am enthusiastic.

I am an old bureaucrat but, you know, I really feel excited about it, and I was hoping I would hear more excitement here today. There is plenty of excitement out there. I guess that is the message I want you to hear from me.

Many of the nation's travel directors are excited about this legislation. They feel this is the step that we need to get the attention and the motivation. I think the industry is excited about it. The hotels, the airlines, this is what we need.

We need more money, we need more emphasis, and I am sorry, I just got carried away. I sometimes get to preaching like a Baptist minister.

But back to your issue, yes, we try to do the language training. It is difficult because we have had somewhat lower educational levels in South Carolina. We have made some great strides in improving our educational system.

One unique thing we have done is set up an emergency language bank whereby you can call into a state telephone system in state government and if you get into an emergency, the central operator has numbers in every major community in the state where she can find a person who speaks Japanese or French, Spanish, whatever language there may be a need for in an emergency situation.

I am sorry. I went on too long in answer to a very simple question.

Senator ROCKEFELLER. In response to the funding problem, obviously that has been a frustration for all of us. It is not entirely, however, the fault of USTTA. In fact, our problem in trying to get, let us say, a dedicated user fee has really been more a matter of the industry.

A few years back USTTA was pushing the user fee. Now they were pushing a user fee that would have gotten us to about the $25 million level, but that is a substantial increase. It means we would not have had to go through this battle every year where we appropriate and the House does not and then we have to prevail in conference, which of course we do, thank heavens. It is ridiculous.

To some degree, one of my hopes is that as this subcommittee comes together and we prove our determination and we put out this bill and we clearly make efforts on behalf of the tourist industry through a public policy to help them do what they are doing, they will see the merits of in turn coalescing around some form of user fee or something that if there is an administration that will receive that idea, that concept, then we can have more money.

The point of enthusiasm is extremely important, and I think that Ambassador Schnabel is frankly doing the very best that he could given constraints that clearly had been put on him. I think he recognizes this. The word around here is read my lips. That is not a very subtle message.

We are going for $15 million as opposed to $13.8 million, and we are looking upon that as a gigantic victory if we can get it, because that will be followed by 16 and then 17. That is the way we have to live.

In South Carolina, you budget what?

Mr. LIMING. About $8.5 million.

Senator ROCKEFELLER. Yes, which is actually less than I would have expected.

Mr. LIMING. I might add that we have a $1.4 million local assistance program which our office administers to help local communities, smaller rural areas. I really did not stress the rural, but I think that is a great step in the right direction because we have many communities that are not generally thought of as destinations that can benefit from tourism.

The aspect of what I am saying here is the rural tourism should not be overlooked, either. Those areas have a great potential for business in all of our 46 counties in South Carolina as well as all the counties of West Virginia. There is a great deal that can be done.

I have a real problem psychologically with user fees because a user fee is a tax, and we are taxing visitors to come here. I do not know what the answer is. I agree with you. I think the industry is ready to coalesce.

Senator ROCKEFELLER. It necessarily does not have to be a user fee.

Mr. LIMING. Right.

Senator ROCKEFELLER. It has to be something which provides more money. If we are in the position of virtually having to close down operations, our USTTA posts in a variety of countries, that clearly is a dumb thing to have to confront.

Mr. LIMING. Absolutely.

Senator ROCKEFELLER. So however money comes, it is important to us.

Do you have a lot of Pacific Rim people coming to South Carolina?

Mr. LIMING. We are beginning to. It is an exciting area. It almost scary how many Japanese visitors are beginning to see our state, and we have not really done much marketing there. Prior to the recent storm we were making a budget request of $300,000 just to open an office in Japan. Unfortunately, I think that may take a 12-month back burner situation because of the pressing need.

Senator ROCKEFELLER. A budget for a tourism——

Mr. LIMING. Program office in Japan.

Senator ROCKEFELLER.——as opposed to a trade office?

Mr. LIMING. Yes. We have a trade office. We have a trade office there, and, of course, we have a trade office in Frankfurt, West Germany. We also have an international tourism office in Frankfurt, West Germany, so we are getting there. We were slow ten years ago.

We are not a wealthy state, as you well know, but tourism has become so vital to us. I think one of the highest compliments is we have not heard one word of criticism from any of the 170 members of our general assembly in ten years for our international marketing program. Nobody has accused us of junkets. They understand the value. They are supporting the value.

I think the Pacific area offers us a great opportunity. As you know, we have great golf attractions and facilities. We just in the last few days hosted a tour with Nippon Tours, 15 of their agents from Japan in the Hilton Head area.

We work very closely with Delta Airl Lnes through the gateway in Atlanta, and we have entered into some very positive cooperative ventures with Delta Air Lines. For instance, in West Germany we do eight travel shows with Delta because, frankly, we are able to work with our money and USTTA does not always have the funding available.

Senator ROCKEFELLER. Just by way of concluding, we have been trying to open a trade office in Japan and Tokyo for years. We are finally going to do it in West Virginia. We will be the 39th state. I wish we could have been earlier than that, but we are going to call it Trade and Tourism because that is exactly what it is.

Again, every individual from whatever part of the country who comes into this country is an export item and helps us in our global trade deficit situation.

Mr. Liming, I am grateful to you. Your state is not only a model for the tourism industry, but you have the best wishes of every American as you recover. As you indicated, you are doing it a lot faster than people know.

Mr. LIMING. Thank you, and God bless you, Senator, and your subcommittee for the outstanding work you are doing on behalf of the Nation's travel industry.

Senator ROCKEFELLER. Thank you, sir.

Our final witness will be Mr. Cord Hansen-Sturm, New School for Social Research in New York.

You have been patient. Actually, we were prepared to pour you the water, but you can do it yourself. I welcome your testimony, Mr. Hansen-Sturm.

STATEMENT OF CORD HANSEN-STURM, NEW SCHOOL FOR SOCIAL RESEARCH GRADUATE SCHOOL OF MANAGEMENT AND URBAN PROFESSIONS, NEW YORK, NY

Mr. HANSEN-STURM. Thank you, Mr. Chairman, and thank you for holding these important hearings and sponsoring this new review and legislation to improve our national tourism policy.

My name is Cord Hansen-Sturm. I teach tourism policy and international trade strategy at the New School in New York City. I am writing a book on the foreign policy of travel and have submitted a rather long written statement to you including large portions of that book.

Senator ROCKEFELLER. Will that be the first book written on that subject?

Mr. HANSEN-STURM. I believe it will be. It covers a lot more than the economic and commercial side. I get into the political, the cultural, the environmental and the like, and I am going to concentrate——

Senator ROCKEFELLER. When is it coming out?

Mr. HANSEN-STURM. That will be in about seven or eight months, I believe.

Senator ROCKEFELLER. Will you send me an autographed copy?

Mr. HANSEN-STURM. Very definitely, with great pleasure.

I am going to be a little less optimistic and upbeat than others who have testified here to cover the other side of events. I am advocating a broader and deeper mandate for the national tourist office and an expanded national tourism policy.

I believe the legislation under consideration does not go far enough to ensure United States tourism competitiveness. I believe the main objective of tourism policy should be national competitiveness rather than the much more limited goal of reducing the balance of trade gap on the national travel account. They are not the same thing. By aiming too low, U.S. Federal tourism policy for 30 years has largely missed the target.

We are still in the early stages of thinking about a visitor promotion policy, whereas all our major tourism competitors have what can only be described as a full-fledged industrial policy for tourism. We are still promoting co-op ads in foreign magazines while they are opening national tourism office computerized reservation systems transactions offices in the United States.

In the last several years, the prevailing policies have been to deregulate, desubsidize and privatize the nation's and, if we could do it, the world's tourism economy. Other countries whose cultures are more comfortable with an active government role in developing and managing the tourism economy are selectively taking what is good from U.S.

policy, the idea of liberalizing; that is, turning over greater management control of mature, extremely complex travel systems to the private sector while simultaneously improving government leadership by setting higher and more broadly applicable standards for travel markets and by continuing to invest heavily in maintaining and upgrading tourism infrastructure and individual tourism properties.

In trade policy, the industrial countries which comprise the main world origin and destination markets are pretty much in agreement with U.S. pioneering tourism initiatives in the GATT, but they go considerably beyond them. Governments do not agree that they should get out of the way.

The European Community is setting the pace in global tourism competition by doing more than trying to reduce trade barriers to promote competition. Governments there are cooperating in huge infrastructure projects like the high speed rail network in Europe and the Chunnel and, the most important, in creating a neutral computerized reservation system infrastructure for Europe's travel industry and not just an unbiased system for airlines.

The European communities for the first time in history are establishing international standards for tour operations. U.S. standards at the same time are deteriorating in the laissez-faire buyer beware Federal policy environment. So 50 State Attorneys General are erecting barriers unwittingly to domestic and foreign travel trade by trying to protect their citizens from increasing bankruptcies and travel scams.

Senator ROCKEFELLER. Could you expand on that a little bit? That is a very interesting point. In other words, we are making life harder on interstate tourism inadvertently? Could you expand on that?

Mr. HANSEN-STURM. The system before 1978 had the CAB at the center. The CAB was setting very high standards for airlines. Airlines were essentially public utilities and travel agents were agents of those public utilities. Tour operators and everyone else were in between, not directly regulated but facing these very high standards that they had to go along with. A Federal standard applied throughout the common market of the United States. We were ahead of the rest of the world.

Now with the sunset of the CAB, with the enormous competition that is going on, some of it destructive, there is a very high rate of bankruptcy among newcomers into tour operations and travel agencies. We know two airlines just went bust, and others could be following.

Staff Attorneys General are applying new standards for escrow accounts, for licensing of tour operators, travel agents, and travel companies. There are 50 different standards evolving up in 50 different states, imposing an incredible burden on national companies. The ones that are extremely important for marketing the U.S. destination abroad are the ones who are hurt the most by this.

We just happen to be going in an opposite direction from Europe at this time even in dealing with terrorism. The New York Attorney General tried to legislate two years ago that after the fact New York courts could decide whether a travel company had properly informed tourist clients they would be subject to terrorism abroad. Things like that are incredibly obstructive to tourism.

I see the yellow light is on.

Senator ROCKEFELLER. Go ahead.

Mr. HANSEN-STURM. Unilateral deregulation in 20/20 hindsight has been unilateral commercial disarmament of the United States travel economy. The transportation infrastructure is deteriorating. Foreign travel companies are following their tourists into the United States and are colonizing America like we colonized their countries in our golden era. The U.S. travel economy is less productive.

The U.S. needs to think beyond destination marketing. Outbound tourism is vital in its own right, while it is essential to creating and sustaining a nation's tourism industry beyond its borders, an industry that conspicuously flies the American flag and sends its profits home.

Once established overseas, American multinational companies are the most effective sales force that the American national tourist office has. The "Visit USA" Committees of American embassies are a roster of American companies that are taking care of American travelers abroad, but they also are the ones that best know the United States destination and the foreign origin market, and they have the product to sell to the United States.

As everyone prior to me has said, everybody abroad knows of the Grand Canyon, Hawaii, Niagara Falls, and New York City. It is having product in these foreign countries that is extremely important, and that is where the U.S. effort has fallen down in recent years.

So the national tourist office also has to consider the threat that its outbound tour operators and travel agents will be unfairly displaced. This in its own right is a multi-billion dollar balance of payments threat.

The computer is the technology by which travel systems are achieving productivity gains in this information era. Compartmentalized U.S. Government transportation and tourism policy in the past has substantially lessened the potential computerized reservation system contribution to productivity which is the key to national competitiveness.

Other governments have recognized that they can steal a technological march on the Americans who created the CRS industry by purchasing the American-made electronic tools and using them more wisely in national travel production systems. This is the same idea that the Japanese implemented for American-invented computer chips.

Foreign transportation ministries are cooperating with tourism authorities and tourism companies to create a neutral CRS information infrastructure for the entire travel sector in Europe. In addition to this significant step, foreign national tourist offices are creating and managing computerized reservation systems to market electronically entire national destinations.

In the pre-Galileo and Amadeus era, those being the two European CRS systems that are being designed as a Europeanwide system that is open to the entire industry, European airline-owned CRS were selfishly incomplete and biased against land services as the U.S. airline-owned CRS companies still are. They were not adequately packaging destinations.

So the French, Dutch and other national tourism offices stepped in to create truly national electronic reservation systems that included virtually all land services from car rentals and lodging to special events.

Like the less complete airline systems they complement, the national tourist office reservation systems are targeted at the United States as the major single source of visitors. There is a good reason to suspect that they are biased in favor of their national travel companies and biased against the companies of the origin country, the United States.

Today, at least five major countries are selling tourism product in the United States through their national tourist office. Computerized reservation systems and several more national tourist offices are using United States CRS mainly as information tools.

I use as my main example the British Tourist Authority. Chairman Duncan Black in the foreword to the recently released annual report of the British Tourist Authority, succinctly states where British taxpayers' money is going. "We will soon be announcing a trade-owned company using advanced communications techniques to link reservation systems worldwide. The objective is to provide international online information and reservations for all types of British products."

The Dutch tourist office created its national reservation center several years ago but only successfully introduced on-line booking of virtually the entire national tourism product to U.S. travel agents in 1989 via the major U.S. airline-owned CRS. In two years they and the British intend to be on line through the second ranked CRS in the United States.

The Austrian government this month opened an 800 number corporation outlet to their national tourist office reservation system in California.

France and New Zealand were there before all of these countries and are operating through different mechanisms, but they have outlets of the national tourist office computerized reservation systems in the U.S. These are different than airline systems. They are national destination systems that have just leaped ahead of the United States.

We are still caught in a paper-based marketing strategy in which we are trying to do co-op ads in foreign magazines. They are taking this high technology, our technology and our CRS, and are using them obviously to their advantage.

I recommend that this committee expand the idea of a rural tourism development foundation into a tourism development foundation, because these National Tourist Officec CRS systems will do more to protect and to enhance the productivity of small companies, the rural destinations, the small community than the large airline owned CRS systems that are active today.

In fact, our system of systems, if you want to add up all the airline systems and all the tour operator, hotel and other reservations systems as one and consider them as one national system and compare it to what is going on in Austria and the Netherlands and France and in the U.K. and in New Zealand, you will see that ours is biased against the national destination. Hawaii and West Virginia and Florida and New York do not show up in our system of systems packaged as destinations, where the most advanced of the overseas systems, the Dutch system, has 300 screens alone in Sabre packaging their entire destination with 24-hour confirmation. This is using technology to package a destination in a way that benefits small companies.

The small travel companies in the United States cannot afford to buy into the large airline CRS systems. There is too high an entry price, too high a training price. The only way around that is to do what the Europeans have done; that is, for the Federal Government to establish a common national standard and somehow open up these systems so that the small guy has a chance. Otherwise, the system as it is now, the system of systems will remain biased in favor of multinationals irrespective of where they are located.

[The statement and questions and answers follow:]

Hearing On The National Tourism Policy
United States Senate
Committee on Commerce,Science, and Transportation
Foreign Commerce and Tourism Subcommittee
October 26,1989

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AN EXPANDED NATIONAL TOURISM POLICY

The United States Travel and Tourism Administration is still the weakest national tourist office in the industrial world. We need to ask ourselves why legislative prescriptions for policy have failed. The main answers lie in the casual and conflicting ways Americans look at the complex problem of building and managing national and global travel systems.

Before attempting to analyze our national tourism psyche I will summarize how most other countries approach the modern phenomenon of mass tourism which has transformed travel into the preeminent world industry. Then, after exploring America's ideological quandary that has limited the National Tourist Office to a minimalist destination strategy, I will state the argument for a more complete foreign policy of tourism. I will focus on the decline of US travel industry competitiveness that has resulted in a net transfer of assets to foreign ownership, on the economic advantage of outbound travel and an overseas network of American travel companies, on the rapidly developing electronic destination marketing threat of National Tourist Office Computerized Reservations Systems, on the need to organize a neutral national CRS infrastructure that achieves higher productivity and promotes competition throughout the travel economy, on the significance of a new international trade policy liberalizing the rules of the game while governments simultaneously set higher performance standards to keep tourism markets harnessed to the public welfare, and on the need for federal policy to be as supportive of small domestic firms and communities as it is now of the increasingly powerful multinationals. I conclude that the USTTA needs a broader and stronger mandate than contemplated in the legislation under consideration.

Traditional View of National Tourist Office Role

The global tourism economy is divided geographically into national administrative units. Nation-states as principal economic actors are a fact of life as important to the dominant capitalist democracies as the second truth that tourism services are increasingly provided by privately owned companies. In the absence of world government the rules for providing travel services are decided by nations acting sometimes unilaterally and sometimes in cooperation with others. International and domestic tourism services are provided in varying mixtures by governments and private companies. Governments traditionally build and manage at public expense the economically and militarily strategic transportation infrastructure on which tourism markets depend. Many governments own and operate air, land, and water passenger transportation as a public service. City, provincial and national governments worldwide have built the huge modern convention centers which typically are booked by publicly funded Convention and Visitors Bureaus. Public policies harness markets of publicly and privately provided tourism services to the economic, social, and military objectives of nations.

Transportation ministries during the Post World War II building era have wielded much greater power over travel systems than have tourism ministries. Policy has been compartmentalized with national tourism officials generally picking up where transportation officials leave off. Now that transportation infrastructure in developed countries is pretty much in place, attention is shifting from building infrastructure to managing complex travel systems of which transport modes are components. Tourism ministries and private multinational travel companies are gaining in influence in this environment.

Citizens from the rich industrial countries, on business or pleasure, do almost all international travel. They visit those destinations that are organized to inform and receive them. Competition is keen among countries to attract visitor expenditures. Because pleasure travel is discretionary and volatile, destinations constantly have to inform and persuade wealthy tourists to visit. A national destination that does not organize and sell itself as a whole is bypassed by many travelers who are better informed by competing national destinations. Because the travel sector of each capitalist economy is a fragmented "industry of industries" mostly composed of small and medium sized private companies and local communities, national governments have no choice but to help these many private and public economic actors form a common country-wide destination marketing strategy. The principal mission of national tourist offices has been to develop national marketing plans and then to help the private sector and local communities implement them.

This accurate but narrow idea about how the global tourism economy works is the foundation of the national tourism policy legislation of 1961, 1981 and the Bill under consideration today. Most other governments share and expand upon this core view.

Americans Trivialize Tourism

The failures of United States national tourism policy can be explained by two distinctly American factors which have dissipated the already legislated idea that destination marketing is an essential function of national government. The most obvious reason is that Americans, including their policymakers, still do not take tourism seriously as an economic and social phenomenon.

I will return to this deeply rooted American problem that tourism is viewed through Puritanical eyes as superfluous play rather than essential work and earned leisure; as recreational cotton candy rather than the meat and potatoes of business, science, and education. Until conventional wisdom in America catches up with the reality that travel and tourism are centrally important to modern economies, the federal government will continue to downplay tourism policy as a nice but not necessary governmental activity. Tourism is considered unimportant so it is ignored.

Americans Mistrust Government

Widespread disagreement about how the tourism economy should work is the second, less obvious factor that has undermined three decades of attempts to develop an effective visitor policy. Other political cultures are more comfortable with the idea explained above that government needs to work in tandem with the private sector to develop and manage the tourism economy. The United States political culture places unique and exaggerated faith in private markets operating independently of government direction. Even the United Kingdom led by Margaret Thatcher's conservative party invests much more heavily in government services for the travel sector than does the United States. The British Tourist Authority, for example, is a world leader in the development of computerized destination marketing systems. By electronically packaging the entire tourism product of the country the BTA intends to outflank competing tourism economies like the United States that still rely on paper-based destination marketing to foreign visitors.

Widespread agreement exists outside US borders that central governments play an essential tourism role which far exceeds destination marketing and providing transportation infrastructure. Transportation ministries abroad go beyond building and maintaining transportation facilities like roads, railroads, and airports, and also operate many transportation services as public utilities. Tourism offices help plan and invest in other tourism infrastructure like computerized reservations systems and specific tourism facilities like hotels and attractions. The recent billion dollar European Community development loan to the Disney attraction being built outside Paris is a startling example of 12 countries investing in a theme park. The EC tourism authorities invest not only in physical plant but also in human resources. The European Parliament recently allocated millions to promote youth travel and staggered vacations, which are much longer in Europe than in America. The EC regularly funds mid-career college level education of European tourism managers so they can operate more intelligently than their less well trained competitors.

The British Tourist Authority whose broad mission statement is appended to this statement, and other European national tourist offices, also social engineer their tourism economies on a national scale. While they cooperate in forming a common market of nations in the EC to compete better with Japan and the United States, their governments do not forget the responsibility to their citizens to improve national competitiveness by investing in plant and equipment to improve the national tourism product as well as marketing it abroad. With the exception of America's unsurpassed national park program, the US government has done comparatively little to mobilize the nation's tourism resources to compete with this broadly based and intense European tourism investment and management program. BTA's mission statement goes beyond existing USTTA authority by "Encouraging the development and promotion of attractions and facilities attractive to visitors to Britain in particular those available in areas of higher than average unemployment and in off-peak periods." The British NTO builds the ultimate national tourism resource: • "Enhancing the status of tourism as an attractive sector of employment by stimulating education and training."

According to a recent English Tourist Board publication, the effectiveness of British tourism systems "...is due in no small part to dedicated, professional national management, actively supported and funded by the government ever since the creation of the British Travel Association in 1929. For the past 20 years, government investment has been channelled through the four statutory tourist boards and bodies such as development agencies."

The core activities of these boards are 1)_ Marketing, 2) Research, 3) Education and Training, 4) Information Technology, 5) policy, and 6) coordination of Regional Tourist Boards. The USTTA to be effective needs to lead states and cities in each of these functions in a nationally integrated government/private cooperative system. I have included the ETB's Tourism in England as attachment B because it so clearly describes the comprehensive leadership role the National Tourist Office plays in the British economy.

Tourism Canada's powerful mission statement indicates the broad sweep of that nation's National Tourist Office responsibility which extends far beyond marketing.

The Mission - "To ensure that Tourism Canada's activities contribute to the development of an internationally competitive tourist industry and lead to increased investment in the industry, increased government revenues and a reduction in the tourist trade deficit."

An Operating Principle- **"Tourism Canada will be a risk-taker, experimenting in initiatives that would not be pursued by our partners."**

An unusual guns-for-tourism countertrade initiative enhanced the competitiveness of Canada's tourism industry at the expense of United State's travel companies and communities. Tourism Canada participated in a Canadian arms purchase in which the cost of US warplanes was partially offset by the countering sale of Canadian tourism services. This example illustrates the inability of the United States Travel and Tourism Administration to protect the integrity of US domestic and foreign travel markets. The Departments of Defence and State helped to negotiate and approved the contract, thus subsidizing the $2 billion US military sale by diverting business and vacation travel of the arms manufacturer, its suppliers and other companies, out of the free market and into government-to-government barter. With their assistance the Canadian NTO achieved possibly a $200 million diversion of travel from US communities to Canada. The US Department of Defence achieved a shift of income and jobs from the civilian travel sector to the military sector.

The debate about the United States Travel and Tourism Administration's mission is much more narrow. It focuses mainly on the appropriate level of destination marketing.

Unilateral Deregulation is like Unilateral Disarmament

The National Tourism Policy Act of 1981 was researched and debated in the late 1970's during the peak of legislative deregulation fever. The nation's tourism industry and Congress swam against the prevailing ideological stream and legislated a more active federal government role in strategic tourism planning and marketing at the very moment the federal government was abandoning planning to experiment with deregulation, privatization, and desubsidization policies that unleashed private sector competition in the transportation, communications and banking industries. The Reagan Administration, whose objective was to build up the military while it dismantled federal involvement in the civilian economy, simply ignored the legislative mandate of the 1981 National Tourism Policy Act and reduced funding of the USTTA below the inadequate level of its failed predecessor. The competent professional staff of the national tourist office has never been given sufficient funding to adequately perform its mission.

Another decade of intelligent tourism policy has been frustrated by political design based on the naive and false belief that America's travel sector would become more vigorous and competitive internationally as the federal government reduced its involvement, while other travel sectors of other countries would atrophy under the dead weight of government bureaucracy.

Instead, laissez-faire deregulation, implemented while other governments remained more involved in managing their travel economies, has substantially weakened the United States travel economy. Seen with 20/20 hindsight, unilateral deregulation is like unilateral disarmament in travel as it has been in banking. The United States travel and tourism sector is less internationally competitive than it was when the government was more actively involved.

Overseas Travel Assets Measure Competitiveness

The travel account of the nation's international balance of payments is not an adequate indicator of national competitiveness. The travel payments gap is closing because foreign visitors are increasingly spending more on US territory than Americans are spending abroad. This is primarily because the United States in the last ten years has become poorer relative to the leading industrial economies of Europe and Asia. American productivity has lapsed while the country slid overnight from being the world's major creditor to the biggest debtor history has ever known. Consequently American living standards have had to adjust downward while the country sells its productive assets to foreigners to pay off debt and maintain consumption.

Americans traveling to competing economic power centers on the international business of the nation and on vacation must now pay much more than they did in 1979 thanks to a devalued US currency. Wealthier Europeans and Asians who now purchase dollars at a discount are commanding the deluxe travel services at home and abroad that once were used by Americans. Because Americans have suddenly become poorer does not mean our travel industry has become more competitive.

Instead, the government has deferred maintenance of the deteriorating national transportation infrastructure while industry is being bled by the financial entrepreneurs unleashed by laissez-faire deregulation. Corporate raiders and financial managers are still stripping the nation's international airlines and other travel companies of assets and driving down wages. The wealth invested over decades in companies formerly regulated to serve the public safely and conveniently at a fair price and a fair return, is still being monetized. The stock market collapsed again October 16 when junkbonds could not be assembled by America's largest bank for a leveraged buyout of United Airlines. American Airlines overnight lost a fifth of its equity. Highly leveraged airlines have become less competitive as they have become progressively less solvent.

First they sold off the international hotel assets they had painstakingly built and acquired property by property and year after year. The international hotel chains had provided food and lodging for the airlines' international customers to compete better against foreign carriers and to increase profits which they returned to the United States. These synergistic international travel assets were sold to foreign buyers to finance domestic price wars and for immediate financial gain. Then the airlines sold huge chunks of equity in their computerized reservations systems to competing foreign airlines. They sold large portions of airplane inventory to domestic and foreign leasing companies. They reduced wages and employee training and deferred maintenance. Now they are trying to sell as much of the remaining stripped-down, undermaintained, undermanned US airlines as the government will allow to the economically healthier, more competitive airlines of foreign countries.

Colonizing America's Tourism Economy

The tables have turned. Most foreign airlines are no longer simply airlines in the narrow sense of providing air transport. They learned from the pioneering examples of once vigorous Pan American World Airways; Trans World Airways; and the Allegis Corporation that packaged United Airlines with lodging, food, and ground transport; and have transformed themselves into huge travel transnationals protected by their governments from US-style financial marauders. JAL, KLM, AND SAS are good examples of the new breed of foreign travel transnationals that are colonizing America in the same way we colonized their countries when our travel industry was ascendant during its Golden Era.

They are each developing hotel chains in the United States by purchasing our best properties rather than building new infrastructure. The expanding in-house tour operations of foreign airlines are taking market share from independent US tour operators. They have already purchased equity in US airlines much like Americans are buying into the airlines of debt-weakened Mexico. These foreign travel transnationals are not economically neutral: they are integral components of national travel systems that are displacing US travel systems on US soil. Their principal allegiance is to their corporate headquarters in Europe and Asia and to their home governments. British Airways was to own most of the preferred stock of the collapsed United Airlines leveraged buyout. If that debt-burdened airline went bankrupt as Braniff and Eastern have recently, British Airways would fully recover its investment leaving Americans holding the remaining debt. Foreign travel company managers increasingly are making decisions for American subsidiaries which remit profits abroad.

I sound like an alarmist economic nationalist because I am one. The owners of the world's travel companies control the infrastructure service over which nation-states move. While Americans go further into national debt borrowing billions to fight Star Wars against an already collapsed Soviet empire, the NATO and Warsaw Pact countries are investing in productive travel systems and extending their reach onto United States soil. A Soviet airline joint venture aviation cartel has even been granted the unprecedented protection of anti-trust immunity to open tourism sales offices to sell land services in the United States.

Integration of the global travel economy is a necessary and good US policy objective but the continuing fire sale of US international and domestic travel and tourism assets is definitely not. Current US policy, however, still encourages Wall Street to sell domestic and international travel assets.

The United States travel industry must not forget what the electronics, machine tool, and automobile industries learned the hard way, that national competitiveness is measured better by who do it than where they make the good or perform the service. The geography of a destination is not as important as who owns and manages it. Technology has reduced the globe to a village and who owns the factories in that village controls the globe. A traditional mercantilist travel and tourism policy that singlemindedly concentrates on attracting foreign visitors to the United States misses that larger point.

An ascendant national economy has a natural tendency to a balance of visitors deficit because its citizens are travelling the world as its rulers. This was as true for the Romans and the British before their decline. Just as the first national tourist office of economically dominant United States encouraged Americans to travel abroad after World War II, the Japanese government currently is encouraging its citizens to enjoy the world they increasingly own and manage.

History teaches a strict lesson. Just as American travel companies followed their American customers abroad in the 1950's, Japanese companies are following theirs in the 1980's. The difference is that US companies were creating from scratch as they built truly global aviation, hotel, travel agent, tour operator, travel finance, and car rental systems. The Japanese and other currently expansionist tourism economies are buying properties and entire chains from the receding Americans to accumulate new overseas travel empires. The collapse of American national will is so complete that our computerized reservations systems industry with Transportation Department blessing has sold off a commanding technological lead even before it could establish a dominant global presence.

The economic stakes are high not only because of profits and jobs. Travel is the ground level information medium and information is the most precious resource in modern economies. The information managers at the controls of the computers and other information machines in the information era choose to travel to observe with their own eyes and communicate in person whenever the information task is sensitive or complex. When the information purpose of travel is considered, the dollars spent abroad by Americans are purchases of the world's most precious economic resource, information. A deficit in the balance of payments for current travel services and investment is a surplus in the balance of knowledge. It is more advantageous for the national economy that American businessmen, scholars, scientists, government officials and their sons and daughters range the world to know it better while seeking opportunities than it is for them to sit and wait for foreign experts to take the initiative. A nation builds its intellectual capital fastest by encouraging its present and future producers to travel abroad. US tourism and transportation policy need to be coordinated in a mutual concern for facilitating overseas travel and maintaining overseas travel systems.

My combined point is that outbound tourism is vital in its own right while it is essential to creating and sustaining a nation's tourism industry beyond its borders, an industry that conspicuously flies the American flag and sends its profits home.

Once established overseas, American multinational companies are the most effective sales force that the American national tourist office has. The Visit USA Committees run by American embassies have been rosters of American overseas tourism companies. The first priority of a national tourist office is to market the destination and it must consider the overseas network of companies important to fulfilling that primary mission while the network also sells to foreigners and takes care of national travelers abroad.

In other words, travel and tourism policy is a two way street. When a nation neglects its outbound travelers and the outbound and overseas travel operations of national companies, the travelers and companies of other nations tend to replace them.

The National Tourist Office also has to consider the threat that its outbound tour operators and travel agents will be unfairly displaced. Tour operator wholesalers and travel agent retailers keep 10 to 30 percent of the cost of an outbound trip. Foreign governments and companies are establishing US sales offices to capture these billions for themselves and to control the outbound flow from the US distribution system.

National Tourist Office Computerized Reservations Systems

The computer matched with telecommunications comprise the major technology by which travel systems are achieving productivity gains in this information era. Compartmentalized US government transportation and tourism policy has substantially lessened the potential CRS contribution to productivity which is the ultimate determinant of national competitiveness.

The US government approach is to leave development of a national CRS infrastructure for the travel industry mostly to private airline companies. The Department of Transportation has intervened only to maintain a reasonably level playing field among airlines but has not tried to make available the airline owned CRS to other suppliers of travel services. In this laissez-faire environment the leading airline owned CRS companies have formed a commercially unassailable oligopoly that is using its command over the travel industry's critical technology to extract monopoly profits from land service companies which have no choice but to buy their computer and telecommunications service to reach travel agents dominated by the airline systems.

Other governments have recognized that they can steal a technological march on the Americans who created the CRS industry by purchasing the American made electronic tools and using them more wisely in national travel production systems. This is the same idea that the Japanese implemented for American invented computer chips. Foreign Transportation Ministries are cooperating with tourism authorities and tourism companies to create a neutral CRS information infrastructure for the entire travel sector. Foreign National Tourist Offices are creating and managing computerized reservations systems (NTO-CRS) to market electronically entire national destinations.

In the pre Galileo and Amadeus era, European airline-owned CRS were as selfishly incomplete and biased against land services as the US airline-owned CRS companies still are. They were not adequately packaging destinations so the French, Dutch and other

National Tourist Offices stepped in to create truly national electronic reservations systems that included virtually all land services from car rentals and lodging to special events. Like the less complete airline systems they complement, the national tourist office reservations systems are targeted at the United States as the major single source of visitors. There is good reason to suspect that they are biased in favor of their national travel companies and against the companies of the origin country.

These foreign destination CRS can enter the United States via several channels to hook up with travel agents and with travelers. The possibilities that have been already tried are via national airline offices and national airline CRS; the major US airline controlled CRS that dominate American travel agency sales; the modem-equipped PCs of travel agents; newly established destination sales corporations in the United States; National Tourist Office representations; and of course, directly to the consumer via videotex services like the Sears Roebuck and IBM joint venture, Prodigy. The advantage of an on-line NTO-CRS in a travel origin country, besides presenting the national tourism product in one updated package on the computer terminals of agents and travelers, is the ability to confirm and bill itineraries within 24-48 hours in the 1980's and instantaneously in the 1990's.

Because the NTO-CRS systems are designed by governments and paid for until they are profitable by taxpayers, they are meant to add tourism income and jobs to the foreign destination and to subtract them from the origin country. There is good reason to believe they are biased in favor of their national travel companies and against the companies of the target country. Every study I have read on US and foreign airline owned CRS claims they are biased in favor of the host company. When a government designed and owned or subsidized NTO-CRS places its national tourism product in American consumer's homes, the potential and the temptation to present national suppliers more favorably than American companies is very strong, especially if the American company does not have an office in the foreign destination.

The US government in 1985, when a French research team reported to the World Tourism Organization about the impending electronic revolution in the way national tourist offices market their destinations, did not have a policy to deal with foreign CRS except those owned by airlines that were regulated through bilateral aviation agreements. Then and now policymakers tend to think of NTO-CRS if at all as benign information systems replacing brochures rather than government commercial transactions outlets on US soil.

Today, at least 5 major countries are selling or are on the verge of selling tourism product in the United States through their National Tourist Office computerized reservations systems.

Several more NTO's are using United States CRS mainly as information tools. Because this phenomenon is still unexplored in the United States, information here is not readily available and has been difficult to cross-check for accuracy in the short period this report was assembled. I believe the following descriptions are true to the underlying reality that is important for US tourism policy, even should they miss on a few details. It has been especially difficult over the telephone to distinguish plans about to be implemented from present capabilities in this fast moving NTO-CRS business.

BRITISH TOURIST AUTHORITY - I start with the BTA because the British and Americans are ideologically closest at this juncture in history in their dependence on private markets. However, the British government's grant to the British national tourist office has increased by 114 percent over the last ten years from a much larger base while the minimal US government support of its NTO remained stagnant.

British Tourist Authority Chairman Duncan Black in his forward to the recently released annual report of the British Tourist Authority succinctly states where British taxpayers' money is going. "With the further development of BRAVO, the travel industry's technology action group, we will soon be announcing a trade-owned company using advanced communications techniques to link reservations systems worldwide. The objective is to provide international on-line information and reservations for all types of British products."

The BTA report's section on North America states that "Participation in the computerized reservation systems (CRS) provided for travel agents by American Airlines and Air Canada was further developed. The first tourist office to participate in a CRS, the BTA is now pioneering Prodigy, a programme that provides tourism information to personal computer owners." The report's section on information services states that "The Information Services Division also generated revenue of 4 million pounds." "Central Information Services contributed to the design of the BTA/ETB (English Tourist Board) database integration project and worked with Computer Services towards the creation of the TRIPS (Tourism Resource Information Processing System) and the SABRE and RESERVEC systems. On BABS, the overseas travel trade made 150,000 inquiries for British information in 18 months. The partnership with the UK travel trade on the North American systems produced revenue of $60,000 for the Authority."

Like the German and Austrian NTOs, the BTA so far has mostly placed information on products in the information section of SABRE which is not on-line with BTA's destination data base. American consumers using Prodigy can probably access the data base for information but cannot yet confirm their reservations. The intent is for the NTO-CRS BRAVO/TRIPS project to produce a commercial venture that accesses the BTA destination base and commercial data bases to be able to sell any British travel product electronically via CRS or videotex. Because the United Kingdom is the principal destination of US tourists, the economic stakes for both countries are high.

The Netherlands Tourist Office - **The Dutch NTO created its National Reservations Center several years ago but only successfully introduced on-line booking of virtually the entire national tourism product to US travel agents in 1989 via the major US airline-owned CRS.** Today the contents of the National Tourist Office's comprehensive Travel Trade Guide are electronically available on-line to travel agents via the Official Recreation Guide service of SABRE. The system will be similarly connected via APOLLO in 2 years, thus reaching most US travel agents. The British also expect to have reached this stage in the same short period.

The Dutch NTO-CRS confirms hotels and other land arrangements throughout the national destination in 24 hours whereas the British system under development will offer state of the art free sale allotments. The Dutch, like the British, are also bypassing travel agents and selling directly to the public via the Prodigy videotex service.

Austrian National Reservations System- The Austrian government agency Reiseburo connected its 3 year old national reservations system to a newly created subsidiary US corporation in California this October. **Reservationists at the Austria On-Line terminal of the NTO-CRS via an 800 number are selling today to American and Canadian travel agents and individual travelers.**

The Austrians at this early stage, like the German and Mexican National Tourist Offices, are still using US airline-owned CRS to disseminate destination information rather than for sales transactions. The US travel agent, for example, can learn about Austrian travel product via the information screens in SABRE but still has to pick up a telephone to order an Austrrian tour itinerary from the California subsidiary of the Austrian destination CRS. Like US travel companies, state and municipal tourist offices, the Austrian government already is balking at the high cost of on-line sales via the US airline owned CRS. The difference, of course, is that Austria is already efficiently packaged electronically, unlike American states and cities, and is much larger an entity than American travel companies so that it can afford a higher entry fee should it decide to follow the Dutch example.

The French National Tourist Office - With their penchant for strong government involvement in the management of technological change, the French were already far advanced in 1985 in linking their hotels and other land services into a national system.

Customers of the Jet Vacations tour operator subsidiary of Air France, a US corporation, book airline passage to France via Air France's CRS and the land portion via the tourist office-created and subsidized French destination CRS. The older French system is a very complete electronic package, but itineraries can be confirmed only in 48 hours rather than in the 24 of its germanic NTO-CRS competition.

The French National Railway opened a consolidated sales office for all European railways in New York State in October. At present the new company's reservationists are selling all the land products of participating railways over an 800 line from brochures rather than from CRS. The rail company inventories will eventually be available via the European Amadeus and Galileo reservations systems which are designed to access computerized rail data bases in the same unbiased way they access airlines. The opening of the US corporate sales office subsidiary of the French government railroad will probably end the practise of at least one European government railroad which was selling inclusive bus tours through several countries from its tax free United States office originally intended by bilateral agreement to distribute that nation's rail tickets to US travel agents.

New Zealand National Tourist Office- The New Zealand National Tourist Office pioneered a computerized national destination reservations system in Asia. First established to make electronic hotel, transportation, and attractions arrangements for foreign tourists arriving by air via the capital gateway, the system was easily linked by telecommunications to a New Zealand government consulate in California. No US government agency cared in 1985 whether foreign governments were dumping tourism services by underselling US and foreign commercial firms through their tax free national tourist and railroad offices, but the State Department ordered the New Zealanders to move out of diplomatic establishments. Should they have been allowed to continue to sell tourism services which a precedent would have been set for diplomats also to sell cars and electronics from Embassies.

Under industry pressure, the USTTA obtained interagency agreement for a vague policy statement that seems to say that foreign governments should not sell tourism services from official untaxed government national tourist office representations. USTTA interest waned once the statement was released, though several NTO's continued to sell from their US offices. The New Zealanders obeyed State Department's directive and moved out of the consulate to establish a subsidiary corporation booking terminal for their national tourist office reservations system.

A CRS Policy Is Needed for the Travel Industry

The United States is wasting its early lead in CRS technology because the USTTA is not active in formulating policy for the new electronic infrastructure industry for travel information and sales while the Department of Transportation is concerned only about CRS impact on airlines. CRS are such powerful marketing weapons they tend to dominate travel markets comprise domestic and foreign trade barriers when they are not accessible by all travel companies at similar unit cost and in an unbiased way.

It is irrational for the US Government to protect airlines from predatory practices of airline CRS and ignore the more significant problem of protecting vastly more numerous and economically important non-airline travel companies and local communities from all forms of private and public CRS exploitation of travel markets. Protection has become a tainted word in todays fashionably free trade intellectual environment so the problem needs to be identified for what it is, a trade barrier that directly impacts on travel company productivity. Private travel companies without government cooperation simply cannot turn the situation around and realize a US national advantage out of the intelligent and mostly legal penetration of the United States outbound distribution system by foreign governments.

> **The existing US national hodgepodge "system of computerized reservations systems" is not neutral and it does not effectively package the destination.**
>
> **It is biased against land service companies in favor of US and foreign airlines.**
>
> **It is biased against the small travel companies that comprise the backbone of the American travel industry in favor of multinational travel companies that can afford the high entry price.**
>
> **It is biased against the United States destination in favor of better packaged foreign destinations.**

A driving force behind the creation of the powerful NTO-CRS destination marketing tool has been the desire to make available to small and medium-sized travel companies and local communities the CRS technology that otherwise can only be afforded by the large chains and multinationals. United States transportation and tourism policy favor the financially strong large company irrespective of national origin, whereas the NTO-CRS policies evolving in other countries favor the culturally strong small company and the local and national destination.

I attended a conference sponsored by the Italian tourist office this Spring on how to integrate CRS into the Italian tourism economy without destroying the fabric of small specialized travel companies that are essential for maintaining Italy as a civilized upscale destination. My advice to them was to look at European NTO-CRS models because the US airline dominated system discriminated against small companies. The desire to make available to small and medium sized travel companies and local communities the CRS technology that otherwise can only be afforded by the large chains and multinationals is a driving force behind NTO-CRS. The small enterprise is not by nature less efficient than the large one if it is supported by public infrastructure. Similarly, nations and groups of nations are best served by designing CRS that distribute evenly the most modern technology.

The United States still has sufficient lead time to divest the CRS industry from the airlines and to treat it as a separate travel industry, as electronic information infrastructure open to all travel companies like telephones and postal services, rather than as the property right and overwhelmingly dominant marketing weapon of a few multinationals. If Britain can move in this direction with its similar economic philosophy, I believe the United States also should be able to.

The first step is to understand thoroughly what I have only superficially sketched in this paper. Congress should authorize a national study of the impact of the national system of computerized reservations systems on the US travel economy and to compare the current laissez-faire US solution with the inventive public/private cooperative efforts coming from the nation's tourism competitors.

The Tourism Policy and Export Promotion Act of 1989 needs to include a "technology mandate" for USTTA to actively engage in CRS policy formulation and to lead in the creation of a CRS-based electronic destination marketing capability in the same time frame as the one under development in Britain.

The Department of Transportation is the lead agency in regulating CRS. Senators John Danforth and John McCain of this Tourism Subcommittee's parent Committee on Commerce, Science, and Transportation have cosponsored the Airline Competition Enhancement Act of 1989 which would divest CRS from airlines by January 20,1991 to improve competition among airlines. At least as important will be the creation of standards in the US that approximate and even improve on the EC CRS code and the Galileo and Amadeus systems to promote competition and productivity in all sectors of the nation's travel industry. I urge this committee to cooperate with the transportation committee to achieve this broader end.

Travel Trade Policy

I dwelled on the NTO-CRS question because it illustrates so well the competitive advantage a National Tourist Office can bring to a country if it is not shackled by low budgets and a narrow promotional policy mandate. The thrust of tourism policy of America's principal competitors has been to develop and market the tourism resources of nations by conscious government cooperation with the private sector.

United States international tourism policy has a decidedly different cant. The guiding idea has been to persuade the governments of other countries to follow the US lead and radically diminish government's role by deregulating, desubsidizing, and privatizing their tourism economies. The triumph of recent US policy is the US-Canada Free Trade Area which includes a Tourism Annex opening up Canada to US travel investment. The promise of US policy is to negotiate a multilateral set of rules for international trade in tourism services in the General Agreement on Tariffs and Trade. Other countries are not approaching the GATT tourism liberalization exercise with the same ideological fervor of the United States and useful general principles for tourism trade are likely to be established in the inevitable compromises.

Important as they are, the GATT and the US-Canada Free Trade Area are insignificant trade policy events compared to the creation of a truly common market in Europe by 1992. The Europeans are liberalizing their transportation and tourism sector to achieve greater efficiencies and economies of scale, while they simultaneously are creating high international standards to protect consumers and to improve Europe as a tourism destination. The creation of EC standards for CRS and Tour Packaging, for example, are designed to improve consumer protection, equality of opportunity and quality of service throughout Europe while markets improve efficiency as private companies take on more responsibility from governments in managing the tourism economy. Europan governments are not abandoning their historic leadership role; rather they are altering it in the interests not only of market efficiency but of improved social welfare.

In contrast, the US-Canada and the GATT free trade formulas liberalize without simultaneously improving governments role in setting and monitoring high service standards. This is a critical difference. The US internal common market for travel is unraveling as 50 state Attorneys General unwittingly erect barriers to travel trade while they try to protect their citizens from bankruptcies and travel scams. Europe has rejected, not copied the US laissez-faire, buyer-beware deregulation model. Developing countries that need to protect infant industries to survive and grow are more attracted to the European than to the American trade policy formula.

The EC has become the driving force in international tourism trade policy. EC travel industry standards sooner or later will emigrate to become world standards to which the United States also will have to adapt because Europeans travel more. Larger and stronger European multinationals will carry higher consumer protection levels with their customers to the United States. US firms that wish to do business with them will have to accommodate. Sooner or later the federal government will legislate comparable standards to achieve destination parity with Europe.

The United States can maximize its still considerable power and regain the initiative by strengthening the United States Travel and Tourism Administration. Greater financial resources and a stronger mandate are required than are contemplated in the legislation under review.

LEGISLATIVE STRATEGY FOR TOURISM POLICY

Question from Senator Rockefeller - You conclude with the point that the Tourism Policy and Export Promotion Act of 1989 should provide greater financial resources for USTTA and a stronger mandate. You are preaching to the choir. I, along with many of my Senate colleagues, wish we could do more. We face an Administration that has wavered in its support of USTTA and a House of Representatives that zeroes out the agency every budget cycle. How do you suggest we bring the House along in understanding the importance of what you suggest?

Answer by Cord Hansen-Sturm - I believe the best long term strategy and short term tactic is for the Senate to take the high ground with industry support and present the House and the Administration with a strong mandate. Noone has ever produced a draft national tourism policy bill that even suggests a principal role for the national tourist office in making the international trade and investment rules that govern the industry. Modest mercantilist proposals that concentrate almost exclusively on inbound marketing inevitably, but mistakenly, have been viewed as special interest legislation for a minor commercial sector.

Legislators and economic, trade and financial policymakers are powerbrokers who appreciate that rule making produces greater economic results than marketing. Most of them do not appreciate the economic importance of travel and tourism, or understand that in a global travel economy the United States government cannot afford to abandon the marketing function while its principal competitors continue to persuade international vacationers to visit their destinations rather than the United States. To a person, however, they understand that trade, financial, and investment policy are important.

Trade policy is high policy whereas destination marketing is low policy. To design the national tourist office as a low policy agency is to curse it in today's reality of severe budget slashing. Conservatives and liberals might want different rules to govern commerce in travel services, the spectrum goes from laissez-faire to nationalized transportation companies, but all agree that the rules of the game are the essence of policy.

This is an unusual moment in the nation's history when the need for structural changes in the world's trading system for goods and services has become glaringly obvious. The communist trade system has collapsed, the capitalist system is choked by debt, and powerful trading blocs are being formed in North America and Europe. The global economic system is reorganizing itself and U.S. policy is trying to influence an outcome that is hospitable to American companies and the American national economy. Options are greater than they have been for the last ten years to create an effective national policy for America's largest export.

The collapse of communism and the concomitant collapse of America's foreign policy centered on the evils of communism, has provided the travel industry and its Senate supporters with the most dramatic current demonstration of the central importance of international travel flows and the travel services provided by American travel companies. I recommend that the Senate Commerce Committee hold hearings and otherwise support travel sector inclusion in the historic comprehensive economic and business agreements with socialist countries that the Administration has recently proposed. Now that the focus of foreign policy is to win the peace rather than to weaken communism by economic war, providing travel services over which all other trade and social activity move becomes a principal objective of the grand strategy.

The USTTA needs to be associated with high policy like the normalization of the East-West travel and tourism economy, or its low policy but important destination marketing mission will remain underfunded because of continuing misunderstanding and the nation's budget crisis. Legislative opportunities present themselves.

For example, a few years ago the Reagan Administration investigated the possibility of merging the USTTA into the United States Information Agency, a high policy, well funded foreign affairs unit. The USIA obtains hundreds of millions of dollars annually to foster thousands of travel exchanges on national security grounds while the USTTA, whose activities have been funded at less than thirteen million dollars, supports tens of millions of annual private exchanges. The Congress has not yet analyzed the relative impacts of private and official exchanges on national security, culture or the economy in light of radically altered international threats and opportunities. A portion of the hundreds of millions of dollars of USIA funding contemplated in the 1990 budget needs to be transferred to USTTA and its sister agency in Commerce, the National Telecommunications and Information Agency, now that trade infrastructure and direct people to people and company to company communication have become more important than propaganda.

Travel trade associations like the American Society of Travel Agents and the United States Tour Operators Association, already for several years have recognized their vested interest in two way travel flows and overseas operations by American travel companies. They led the travel sector drives to be included in the GATT and to eliminate travel embargoes. They can be expected to continue to lead a broader industry effort to achieve effective trade pacts with Eastern Europe that include travel. As their November 1989 statements to the Senate Subcommittee on Tourism confirm, they will encourage the Administration to seek and the House to pass enhanced Senate-drafted travel trade policy legislation.

The Travel and Tourism Government Affairs Council has created two internal industry committees to study travel and passenger transportation trade policy on a priority basis. They are likely to conclude that national passenger transportation systems need to be made more responsive to overall travel systems, and that travel and tourism policy needs to be expanded from its destination marketing base to embrace transportation and other international trade and investment issues. Once that travel trade umbrella association achieves a consensus among its members, it will become a powerful lobby for a strong trade policy component in the national tourism policy.

I believe the industry is accommodating to continued managed trade international rules for airlines and cruiselines, and free trade rules for other components of the travel and tourism sector. The shock of domestic deregulation and the initial excitement of potentially liberalizing international rules for all travel company operations have subsided. Tension between the disparate managed trade and free trade policy regimes will continue to exist because multi-national multi-product travel companies straddle both sides of the regulatory fence that divides the industry. Every international travel itinerary is subject to two sets of trade rules. It matters greatly whether managed trade or free trade rules apply to a particular service like tour operations or computerized reservations systems. Are they to be governed by strict reciprocity as components of the aviation industry or by national or most favored nation treatment as separate industries in their own right? Airline CRS are indispensable marketing and management tools developed by airlines, but they are becoming equally indispensable to the entire travel sector. Should the tour operations of foreign airlines receive anti-trust immunity on US territory to protect aviation cartels in bilateral air corridors or should the land services subsidiaries of airlines be subject to anti-trust legislation that applies to all independent tour operators?

There are no easy answers when overlapping and contradictory regulatory regimes govern the same service. In the absence of a countervailing power in Commerce Department on behalf of non airline and cruiseline travel industries, Department of Transportation regulators will continue to make tourism policy to serve their limited constituencies.

The travel and tourism industry private sector seems to be accommodating itself to the dual trade regimes that divide out the aviation and cruise line components of travel systems.

Points of conflict in the border zones are being identified and contained. Travel trade associations are learning to disagree on the points of conflict while they agree on the larger idea that both regulation and liberalization are necessary and unavoidable. Aviation and maritime policy increasingly is strengthened by other travel industry participation as very interested parties, and aviation and cruise lines continue to be accepted in other travel councils as full members.

Because of improved understanding and acceptance of the status quo, ad hoc industry groups and the TTGAC can help create a more enlightened Administration position. The Administration often appears to champion the worst of all possible travel industry worlds: unregulation and no marketing support. The trade associations with the support of the Travel and Tourism Advisory Board can place the need for an enhanced USTTA trade policy mandate on the next Tourism Policy Council Agenda if they decide to. When interagency agreement seems probable, they can request the Secretary of Commerce to see that the much more powerful Trade Policy Council holds hearings to ratify the decision and support legislation.

Travel trade associations can do a much better job than they are now of promoting the idea of a strong mandate for the USTTA to the trade press which has done a substandard job of covering the issue. An industry conference on travel trade policy attended by Congressional and Administration tourism and trade policy leaders would help dramatically. I know the New School and other universities would participate in such a landmark event for this industry.

The Senate Commerce Committee can provide a model and a rallying point for these government and private groups by writing a stronger travel trade policy mandate into the Tourism Policy and Export Promotion Act of 1989.

TRAVEL TRADE AND INVESTMENT POLICY

Question from Senator Rockefeller - I agree with your central point that outbound tourism is important. I have concentrated on inbound tourism because of its importance to rural economies and domestic employment. If, at a later time, we were to do something on outbound travel, what would be the single most important thing we could do?

Answer by Cord Hansen-Sturm - My larger point is that U.S. National Tourism Policy largely ignores the fact that outbound and overseas as well as inbound travel services provided by American companies are inextricably interlocked components of national travel systems engaged in a fiercely competitive globalized travel economy. The single most important thing that Congress can do to reverse the declining international competitiveness of the United States travel and tourism industry is to broaden the national tourist office's legal mandate to make it an effective player in international travel trade and investment policy. Congress needs to act now, in this period of extraordinary global political and economic flux, when old rules governing international travel trade and investment are collapsing and are being replaced.

The United States has overly deregulated its already open and mostly private sector operated travel economy while other countries have maintained more closed and regulated travel economies in which governments provide many travel services as public goods. Unilateral domestic deregulation in a competitive globalized travel economy in which governments are important actors is like unilateral disarmament. To regain a balance in the national interest, travel trade and investment policy needs to open the rest of the world more to American travel firms and close the United States more to foreign travel firms. International travel needs to be protected in bilateral and multilateral economic and trade agreements as a human right that can be realized only when travel companies are permitted to provide travel services.

Most travel policymakers and the general public carry a nineteenth century model of international travel in their minds in which international carriers drop tourists from origin country (A) in destination country (B) and the expenditures for those trips are captured and retained by domestic travel companies as income and jobs for the benefit of the destination country (B). The model fails in the real world on two counts:

1) Travel is an investment as well as consumption and travel services are infrastructure over which all other trade and social activity moves.

People pay for travel services mainly to understand the outside world by first hand experience and to communicate in person. The greater economic benefit to a nation comes from the economic product of its overseas travelers rather than from foreign travel expenditures on its soil. The companies, organizations, and nationalities that travel the world rule the world. Ascendant economies tend to have travel account deficits because their citizens work and play harder.

International business travelers are also the world's principal pleasure travelers. The world's economic elites are the world's frequent travelers who send their children abroad to enhance the next generation's intellectual capital needed for future production. International vacations are not dead losses to a nation's economy as deficits on the international balance of trade falsely imply. Rather they are additions to that country's store of knowledge about how the world works.

Policymakers traditionally have looked at the travel experience mostly in physical terms as bumps, burps and snores rather than as a mental experience. They view travelers as meat rather than minds. Most policymakers still consider purchased travel services as final consumption goods rather than as intermediate goods and investments. These old fashioned views contradict what we know about travel as the most basic and necessary information medium in the modern information economy. Travel systems are components of larger information systems including the electronic and print media. The travel sector is the ground floor level of the economy's information infrastructure and purchases of travel services are investments in knowledge.

2) The globe is a mesh of overlapping national travel systems that are dominated by multinational - multiproduct travel companies.

These companies operate in the origin and destination countries at the same time and provide multiple travel services to capture international travelers and hold them in their grip for as long as possible during the entire journey. They tend to dominate their chosen markets in part by controlling key marketing institutions such as travel advertising, public relations, and computerized reservation systems. They are persuading governments to foster their interests over those of smaller and medium-sized travel companies which they are absorbing or displacing. Their nationals manage their global networks and repatriate profits to their headquarters country.

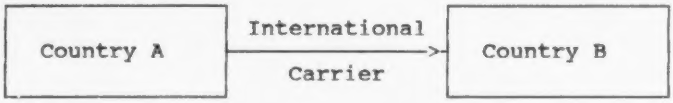
The archetype multinational - multiproduct business travel company used to be the Allegis Corporation. It housed America's largest airline and car rental firm, its second largest computer reservations system, and two major international hotel chains under one corporate roof. The business traveler never had to leave the Allegis global corporate travel network. Like Allegis, the other US airline-based multinational-multiproduct travel companies operated globally like Pan Am/Intercontinental Hotels and TWA/Hilton International Hotels have been mostly dismembered. European and Asian carriers are filling the void left by the retreating US firms that have been weakened by deregulation and financial takeovers. They are colonizing America while they also purchase the overseas assets of formerly dominant US companies. Sophisticated business travelers already prefer to fly the foreign airlines which in the 1980's concentrated on improving business and first class service while American carriers concentrated on lowering prices to attract discretionary leisure travelers on vacation. Now these foreign carriers are placing American and foreign customers in their global hotel chains and their ground transport. American travel managers and experts are being replaced by foreign managers in these multinational-multiproduct networks and profits are going abroad. While the airline-based American multi's are in decline, the finance-based multi's like American Express are still vigorously expanding.

The archetype multiproduct-multinational pleasure travel company is the huge European tour operator that owns a charter airline, hotels, and even entertainment and ground transport facilities. Country A vacationers buy holiday packages of travel services performed enroute, and in Country B largely by employees of Country A tour operator. The well paid intellectual tourism jobs go to the nationals of Country A while Country B provides the menial labor. Profits are repatriated to the origin country A. Because Country A multinational-multiproduct travel companies have so much power over the traveler who their marketers can divert to other destinations, those Country B firms that subcontract their destination services to Country A firms must give up a large share of their profits to Country A.

My point is that the abstract model behind existing US National Tourist Office legislation does not deal with the reality that who provides the travel service is more important than where it is provided.

TRADITIONAL TRAVEL TRADE MODEL

National Origin Firms National Destination Firms


Country A
International
Carrier
Country B

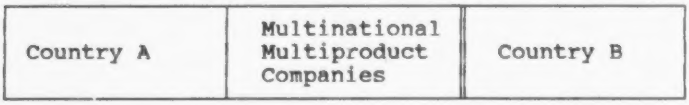
[International Transport
Account Balance and Mutual
Job Gain]

[International Travel
Account and Travel Job
Loss]

[International Travel
Account and Job Gain]

MODERN TRAVEL TRADE MODEL

Large Multinational-Multiproduct Companies Dominate Small Independent Outbound and Inbound Firms in Both Countries A and B, but Country A Multi's Prevail


Country A
Multinational
Multiproduct
Companies
Country B

[Managerial and Expert Job
Gain and Profit Repatriation
Net Travel Account Deficit and
Knowledge Account Gain]

[Clerical and Menial Job
Gain, Investment Capital
Gain and Profit Loss, Net
Travel Account Surplus]

Developing countries, except the third world superpowers like China, India, and Brazil, have little choice but to open their borders to invading foreign travel firms from the main origin countries. The United States is not Jamaica, but its National Tourist Office almost exclusively specializes in destination marketing policy as if this country was powerless to influence the rules governing its international travel trade. Current US travel and tourism policy treats outbound travel and the overseas operations of American companies with benign neglect and actually helps foreign multinational-multiproduct travel companies replace smaller domestic companies. My original written statement and that of the United States Tour Operators Association deals in greater depth with this central national tourism policy issue.

The problem of a weak national tourist office that carries no weight in economic, trade, investment and financial policy circles can be vividly illustrated by the sudden large international trade and investment challenge to the nation provided by Eastern Europe and the Soviet Union. The region will be absorbed into the dynamic EC trading bloc rather than a broader Atlantic trading community unless the United States acts promptly and decisively. The Bush Administration is responding to the sudden collapse of European communist state-trading economies by planning to negotiate comprehensive economic and business agreements with Poland and Hungary, the countries which have moved farthest toward markets and democracy. These anticipated agreements, precedented in US experience only by the recent comprehensive compacts with Israel and Canada, will probably serve as models for bilaterals with the entire socialist trading bloc including the Soviet Union. They will have relevance for agreements with key developing economies like Brazil, India, and Mexico. Bilateral and regional trade agreements are increasingly necessary given the breakdown of multilateral trade and financial institutions.

Travel and tourism is the largest component in the international trade of Poland, Hungary, the United States and most other developed nations, but current transatlantic travel flows between the United States and the communist bloc are depressed largely because of US government ordered travel embargoes and boycotts in the first half of this decade. Travel controls weakened all East West trade and devastated the US travel specialists to Eastern Europe, while strengthening the communist travel monopolies. The East European multinational-multiproduct travel companies enjoy a practical monopoly on travel services provided in their countries for visiting foreigners while they have substantially penetrated the outbound travel distribution system located on U.S. territory. For example, the dominant travel company servicing foreign visitors in Poland, Orbis, through its tour operator/travel agent subsidiary chartered in New York State, enjoys national treatment here and freely repatriates its profits to Poland. Orbis also operates to its commercial advantage the tax free Polish National Tourist Information Office in Chicago, an exception to accepted international practise. When the official national tourist offices of countries are government agencies as is the case of the United States Travel and Tourism Administration and the Polish Travel Department, to prevent conflict of interest the nations' tourist information offices normally are staffed with civil servants of the NTO rather than the managers of commercial travel firms.

The lopsided Cold War framework of sparse bilateral agreements and disparate national laws and practices discriminates against US travel companies and US travelers. Nevertheless, the USTTA and the State Department negotiated tourism agreements in 1989 without systematically consulting with the US travel companies and trade associations known to be interested parties. They also did not bother to disseminate or discuss the mystery documents with the US travel industry once they were signed.

The State Department urged Commerce during tourism agreement negotiations to avoid the critical travel trade and investment issues of market access, repatriation of profits, monopoly and collusion that perpetuate East European dominance over a stunted and inefficient transatlantic travel trade. As in recently negotiated consular, cultural exchange, and civil aviation bilateral agreements with Poland and Hungary, the State Department was willing to concede US travel sector interests up front to signal US willingness to normalize political and economic relations.

The recently negotiated Consular, Cultural Exchange, Civil Aviation, and Tourism Agreements are archaic, compartmentalized institutions whose common central purpose, however, is to facilitate travel flows. All these travel facilitating pacts were acheived in uncoordinated negotiations by different government bureaucracies without systematic travel industry or trade policy input. It should come as no surprise that collectively they perpetuate and may even exaggerate the power of East European governments and commercial travel monopolies to operate on a what-is-mine-is-mine and what-is-yours-is-mine principle.

The State Department, as a major contributor to all four agreements, has to take the principal blame for once again giving away the travel store. As the principal foreign policy agent for the capitalist superpower during the Cold War, the State Department for a half century has manipulated travel flows largely as rewards and sanctions for other countries' political and military behavior. The objectives of foreign travel as a human right and precondition for democracy and trade have been subordinated to the protracted economic war to contain and roll back communism.

In the early 1980's State Department manipulated these agreements and issued greatly exaggerated travel advisories to signal official displeasure and harm communist economies by severing the vital travel communication link. In 1988 and 1989 the Department again manipulated the travel facilitating agreements, this time to signal a willingness to enter "more important" economic and security negotiations.

However, there is no more important political, cultural, military, or economic issue for advanced capitalist market democracies than free travel flows. Travel is a human right that can be realized only when travel companies are permitted by governments to provide travel services. 20-20 historical hindsight shows that American travel embargo policies actually helped totalitarian regimes cordon off their populations from destabilizing democratic and capitalistic ideas. Fortunately for East European history, America's allies completely ignored the unilateral American travel controls. West European tourists and traders rather than Americans traveled to familiarize the East Europeans in face to face demonstrations of liberty and prosperity of the market-based democracies. The artificial suppression of travel contacts during the economic war also kept Americans largely ignorant of revolutionary forces that were building in what was described by a recent President as "The Evil Empire". While the underinformed United States mistakenly undermined its economic and moral power base by relying almost exclusively on military threat, Western Europeans and their travel companies gained a regional advantage over Americans and American travel companies by opening totalitarian borders to peaceful exchanges. U.S. foreign policy must be radically reoriented to bring it in line with Western Europe and Japan for the United States also to participate in what promises to be a period of economic renewal. Like our allies, we also must reject economic warfare as a foreign policy option and begin to pursue national commercial self-interest as a priority. The touchstone for trade needs to be American economic prosperity rather than the political manipulation of foreign political economies.

A comprehensive economic and business agreement that guarantees travel to be a human right and the travel sector to be centrally important trade and social infrastructure on a par with telecommunications and postal services is urgently needed to end the political manipulation of travel flows and the travel industry. The comprehensive treaty must clearly bind the four compartmentalized travel facilitation pacts into a unified policy. The overarching economic and business agreement must also address the central commercial question of permitting US travel companies to sell services and repatriate profits in Eastern Europe on an equivalent basis to the already existing privilege for socialist travel companies to invest and sell in the United States. None of these issues is addressed in the 1989 tourism agreements which do not even bother to define the complex and fragmented tourism sector.

The USTTA played virtually no role in preparing for or negotiating the mainly travel oriented consular, cultural exchange and civil aviation bilaterals, thus effectively isolating the several US negotiating positions on travel facilitation from travel trade input. Even worse, USTTA has no established process to inform and consult with travel trade organizations affected by tourism agreements and other international pacts. The Travel and Tourism Advisory Board and the interagency Tourism Policy Council are not adequate institutions for consulting with the travel industry or informing it of changes in policy. The Commerce Department's Industry Sector Advisory Committee on Service Trade does not even have a tourism subcommittee in spite of historic challenges such as the GATT, EC 1992, US-Canada Free Trade Area, the collapse of communist and the developing world's trade regimes, and the current review of both the national transportation and tourism policies.

Even within the Commerce Department, there is an almost absolute separation of power that relegates USTTA to advisory status or no role at all on vitally important international trade and investment negotiations that impact on the nation's principal export sector. In the current Eastern Europe example, USTTA was not even invited to observe the multiple agency meeting with the private sector that formally initiated the government/private industry consultation process for the Polish and Hungarian trade agreements. Private sector consultations are a prerequisite for any meaningful international negotiation by a free enterprise-oriented capitalist market economy.

The inescapable conclusion is that the USTTA needs to be reorganized and reoriented by congress to deal with travel trade policy. As long as USTTA is a marketing rather than a rule making institution, the travel industry will not have an effective voice in high policy. In the current example of Eastern Europe, it is doubtful the temporary coalition of travel companies and trade associations can keep up the current level of industry pressure on traditional trade policymakers who are trained to think of travel as a peripheral trade issue and who announced at the beginning of the exercise that aviation and tourism have been taken care of by separate agreements.

TOURISM EDUCATION

Question from Senator Rockefeller - You are associated with the Tourism and Travel Management Program at the New School in New York. How do you think our academic institutions compare with those in other countries in the tourism area?

Response by Cord Hansen-Sturm - The short answer is that we had a tenuous early lead over most rival major tourism powers which we have lost. Inadequate education is a contributing factor in the decline in competitiveness of the American tourism economy.

Education is the ultimate tourism resource. On the demand side, educated people are the world's frequent travelers, and the quantity and quality of a population's travel is dependent on its level of education. On the supply side, origins and destinations with educated workforces have a competitive edge. Education is more important for tourism development than sunshine, sand and sea. Knowledge is power in the travel and tourism industry as it is everywhere else.

The prime determinant of success for a nation's travel industry is the general level of education that makes citizens want to experience the world and provides travel companies with literate, numerate candidates with a grasp of geography, history, and economics for entry level travel jobs. Also important is the level of specialized business education dedicated to the travel industry workforce.

The tourism education industry is a critical and rapidly growing component of the nation's travel sector though it still rarely appears in definitions which are otherwise expanding to include new industries like computerized reservations systems and travel payments systems. However, a foreign candidate for a masters degree in travel management at a private university can expect to spend over $30,000 during his or her "visit" to the United States. Certainly for travel and tourism policy purposes the industry that regenerates and improves the human capital of the travel sector deserves to be considered a part of the travel sector in the same way it is traditionally considered to be part of the education sector for purposes of education policy.

The need for government involvement in tourism education is recognized in the National Tourist Office legislation of leading tourism economies like the United Kingdom and future tourism superpowers like China and India. It increasingly is recognized in American state legislation such as the New York State five year strategic development plan. Education should be a major objective of the United States Travel and Tourism Administration.

The U.S. public school system does not adequately educate high school graduates for tourism careers. There are isolated experimental programs, for example, in New York City and Miami high schools, but these are rare exceptions to the general rule that tourism is an unknown field of study. Tourism management programs in junior colleges in several states are proliferating but are not yet sufficient in number or quality to meet the large existing industry need for qualified entry level workers. With rare exceptions, non-accredited proprietary schools are unsatisfactory substitutes.

The large problem in providing specialized formal education for entry level tourism workers is magnified on the University level where the experts, managers and teachers of the future are prepared. The study of travel systems is new and is still viewed by most traditional academics and university administrators as frivolous, reflecting a deep seated American cultural bias against vacations and ignorance of the infrastructure role of travel in the information economy. Most tourism programs have grown up in and have not been able to transcend the food and beverage, hotel, parks and recreation, leisure studies, transportation, education, and sports departments that spawned them.

American schools of management and law, on the other hand, have failed the complex and fragmented travel and tourism industry by churning out financial manipulators who are expert in extracting assets from firms in travel systems, but who are ignorant about how travel systems operate and grow. A good example can be found in the centrally important field of transportation which has traditionally viewed public transport as a public good. America's airlines as well as its bridges were over engineered in the regulated era to withstand natural, military, and economic calamities. The new airline managerial class of MBA's, CPA's and lawyers lack understanding of the complex travel industry and, equally important, a commitment to provide a public service. They have weakened the nation's aviation system by paring airline assets and adding debt, a splendid short term financial tactic to enrich themselves and investors, but a pending long term disaster for the travel economy.

In reaction to overly compartmentalized academic tourism programs and the too general MBA and law degrees, a few universities around the nation like the New School have attempted to combine the technical management studies essence of the MBA with a specialized focus on travel systems, providing graduates with a managerial tool kit while imbuing them with a deep understanding of travel's role in society and an ethical commitment to travel management as a public resource.

Refereed journals like the **Annals of Tourism Research** and professional associations for teachers and researchers like the Society of Travel and Tourism Educators and the Travel and Tourism Research Association have done pioneering work in moving the tourism education enterprise forward. The inescapable conclusion, however, is that formal tourism education in America is a second class, immature discipline that will continue to lag in development until it is better supported by governments, university administrators, and the travel industry.

The mass travel and tourism industry which developed so rapidly with post World War II prosperity, and which has been radically altered recently by the dynamic forces of deregulation and computerization, is still immature. The average senior executive of a travel company, trade association, trade publication, and government tourist office has learned by doing and has difficulty distinguishing the travel system forest from his or her particular industry sector tree. In the absence of a shared knowledge base, industry relations are still largely based on who you know rather than the what you know of mature professions. The decidedly anti-intellectual industry leadership is not adequately supporting or recruiting its replacements from the travel and tourism departments of universities. Some major companies are, but the majority are dangerously indifferent to their greatest potential asset, formal education's ability to provide intellectual replenishment and enhancement.

In contrast to the underdeveloped and underrated formal education structure, continuing education is thriving within travel trade and professional associations and in major corporations. These organizations train unprepared new workers in basic skills and knowledge in proliferating certification programs. They also provide specialized and sometimes cutting edge information for the industry's technical and managerial elites. The number of high quality lectures available for the already employed is simply mind boggling. The major travel trade publishers have also entered the educational conference field. With their state of the art electronic data bases of current subscribers and advertisers, they are targeting rising industry issues like computer reservations systems and cruise lines in competition with the trade associations and the universities.

Large travel service companies like American Express and the hotel chains employ substantial internal training staffs to upgrade all employee strata from maid or clerk to senior manager. A rising class of itinerate tourism consultants perform one day as adjuncts in colleges and universities, the next as speakers at trade association conferences, and the next as trainers in internal corporate programs.

This brief description should serve to show that the US travel education system, which downplays formal education and encourages informal continuing education, is biased against the small and medium -sized firm and the small community in favor of the large company and major urban centers. Large companies have the depth of personnel, resources and corporate culture to join the many trade and professional assoications and to be represented at the multiple educational conferences throughout the nation and abroad. Concentrations of companies in major urban centers draw conferences. Travel industry pay scales are sufficiently low to discourage unsponsored individual conference attendance away from home base. All these factors work against the small and rural firm and employee and in favor of the large and urban firm and employee.

If the nation seeks to preserve its base of smaller travel companies, develop its rural tourism assets, and compete on the same level as its principal tourism rivals, more public and private resources will have to go into formal education.

Whereas tourism education in the United States needs more attention, so does tourism as education. The US is simply out of sync with Europe when it comes to encouraging and facilitating youth travel. Our extreme laissez-faire commercial approach to travel provides a welter of services for those retired persons with time and money, and mostly ignores youth travelers who have the time and need to learn but little money. Just as the Grand Tour was once an essential ingredient of the education of the English landed aristocracy, extensive travel experience is recognized throughout modern post-industrial Europe as essential training for their elites. National Tourist Offices cooperate with other government agencies to promote and subsidize youth travel. The future producers of society, especially in the travel sector, need to know first hand how the world works before they commit themselves to managing it. A sophisticated national tourism policy tries to counter the anti-education bias of commercial travel markets. The United States Travel and Tourism Administration needs a congressional mandate to lead the nation in this neglected tourism policy field of youth travel.

Congress must include education and youth travel as principal objectives in the USTTA legal mandate for it to play a leading role. Otherwise, pressure on the Agency to stick to destination marketing will prevent an initiative. Perhaps an approach like that of the National Geographic Society is feasible whereby the nation's geography programs are inventoried and evaluated and model curricula are made available to trade associations, schools and universities. USTTA in the past has helped states draft state tourism policies. These need to be upgraded to include support for tourism education and youth travel. USTTA could launch these new activities in a national conference to make the travel industry and the educational system aware that tourism education has become a national priority.

Senator ROCKEFELLER. I think your point is interesting. Because of time now, I am going to have to consider your testimony submitted if that is okay.

Mr. HANSEN-STURM. Thank you, sir.

Senator ROCKEFELLER. I understand entirely what you are saying. I understand why you are disheartened by, realistically so, what you are saying, how other countries are just leaping ahead of us, and we are talking about how we can bring in foreign visitors, points of destination, et cetera, so that we can help rural states.

We are way behind. There is no question. That is by definition in terms of the budget that USTTA has had to deal with over the years. The states, therefore, have taken the lead. Because they have taken the lead, by definition it obviously is not national. So all those things become very apparent in America.

We sometimes are 50 states, and we sometimes are one country. It depends. When it comes to tourism, we are 50 states. They have done a better job, and our government has not.

So all of these things that you talk about and the point you make about infrastructure are increasing ominous for the United States.

I agree with you about deregulation. I would never have voted for deregulation of the airlines. I think it is a terrible mistake. It certainly is a disastrous mistake in terms of rural states. I also agree that the worst is yet to come. Railroad abandonments are taking place almost on a weekly basis. We did not need the San Francisco earthquake to tell us that our highway systems are already very old.

So we are far behind. When I think of Europe, not to speak of Japan, I think of getting to where you want in very quick ways by a variety of means, very clean, very fast, very modern, very new. The tunnel you speak of, it is all excellent. Singapore presumably does not have a large railroad system, but they probably have the best airline in the world, and they spend God knows how much more money than we do as a national government with respect to tourism.

All of these things I understand. What we are trying to do here, Mr. Hansen-Sturm, is simply to push forward from the point that we start from, which is a $13.8 million USTTA budget grudgingly given by a House which gives us nothing, supported occasionally by administration.

Here is Ambassador Schnabel wanting to do a good thing, born and brought up in Europe as he pointed out, and basically muzzled because we are asking for $15 million instead of $13.8 million. That is a no-no these days. Again, read my lips. So it is difficult.

I think what you are doing is setting out the larger picture. You are frustrating me because you are reminding me of all the things that we are not doing and all the things that others are doing. So we kind of have to pick our way slowly and deliberately to try to bring people along with us dealing with the amount of money that we have.

You do paint the large picture. I think you paint it accurately. I look forward to your book. I think that we need you to keep challenging us towards the larger perspective, because that is where we are meant to be going. We are clearly finding our way as best we can in the darkness.

Do you want to respond?

Mr. HANSEN-STURM. Thank you very much.

I agree with your strategy and your tactics. We have to keep the USTTA going. My main plea, really, is that we change the national tourist office mission statement to be more like the Canadians and the British and the others to focus on national competitiveness, a broader thing.

Obviously, we want to improve the export picture, and destination marketing strategy is the main thrust of policy, but it is not the only thrust. The problem in the last ten years is that USTTA has been cut out of the trade policy action. Some influential Congressmen have stepped in and said that USTTA should keep its mind on marketing; to promote and not get involved in trade policy issues. Well, the trade policy issues are billion dollar issues.

The USTTA has one of the most competent staffs of any unit in the U.S. Government, and they have not been put out in the front with the US Trade Representative, the State Department, Transportation Department and even the International Trade Administration of the Commerce Department.

Senator ROCKEFELLER. But we are trying to do that. That is why we want them included in the national trade estimate. That is why we want those figures in there. We are trying to synchronize the world trade.

Quite honestly, if you go back nine years, less than 1 percent of Americans would have told you that there was a trade problem in the future. Indeed, in 1980 was the first year that we had a global trade deficit. In 1979 we were in a global trade surplus situation. We did not recognize where we were until 1984. We did not do anything about it until 1986, and now we are reaping weekly the reams of bad news with EC\'92, here comes Taiwan, here comes Korea and Japan already whizzing past us in a variety of areas.

I think part of the message of Poland and other countries is that they are also lining up to compete. They see the free market system. They are part of the European culture. They may be 20 years from now in EC 2002.

In any event, I understand what you are saying. You take a big picture view of it, and thank God for people like you so that we who are struggling far behind you can have something to point towards.

I do not mean to cut you off, but I have to.

Mr. HANSEN-STURM. Thank you, Mr. Chairman.

Senator ROCKEFELLER. Thank you for appearing at this hearing this afternoon on S. 1791.

When Senator Burns and I introduced this bill yesterday, we were joined by every member of the Senate Commerce Committee. I appreciate the support of my fellow Committee members and I am particularly grateful for the participation of the entire Subcommittee in preparing this bill.

Although we could move this bill through Committee as is, that is not my intention. I value all the comments of the witnesses here today and we will incorporate your thoughts as we finalize this bill prior to Committee mark-up. The insights of these witnesses who have to go out into the world and actually promote our country are critical to me.

As you know, we have not enacted tourism legislation in nearly a decade. I want this bill to be the very best piece of legislation for promoting this country, improving the economies of rural America, and maintaining the nearly 6 million tourism jobs.

Your testimony today will help us meet a goal we all share.

Thank you. This hearing is adjourned.

[Whereupon, at 4:57 p.m., the hearing was adjourned.]

ADDITIONAL ARTICLES, LETTERS, AND STATEMENTS

Eric C. Peterson
9531 Whitecedar Court
Vienna, Virginia 22181

October 25, 1989

The Honorable John D. Rockefeller, IV
Chairman
Subcommittee on Foreign Commerce and Tourism
Committee on Commerce, Science
and Transportation
United States Senate
Washington, D.C. 20510

Dear Senator Rockefeller:

Thank you, the members of the Subcommittee and the Subcommittee's Travel and Tourism Industry Advisory Council for undertaking a review of the National Tourism Policy and for proposing legislation to amend the International Travel Act of 1961 and the National Tourism Policy Act of 1981. As the Subcommittee is well aware, it has been nearly ten years since the policy was last reviewed. Much has changed over the last decade within the American travel industry, especially in its relationship to international trade, making the Subcommittee's initiative very timely.

As the former Deputy and Acting Under Secretary of Commerce for Travel and Tourism, I write to share with you my perspective on the Tourism Policy and Export Promotion Act of 1989.

OVERVIEW

First and foremost, the thrust and the underlying philosophy of the legislations are absolutely on target. To recognize that international tourism is an essential element of international trade, and the comparative advantage trade in tourism holds for reducing America's trade deficit could not be more appropriate. As we have witnessed just this year, the growth potential for the U.S. travel industry in the international market is greater than any other U.S. industry. To achieve its full potential, the American travel industry needs and deserves substantially more cooperation from the Federal Government. The proposed legislation affords the industry that cooperation.

TRADE DEVELOPMENT

Secondly, by recognizing that there is a cooperative, facilitative role for the Federal Government in the field of international tourism trade -- just as there is a role for government in the international trade of computers, telecommunications equipment, and agriculture commodities -- the proposed bill enables both industry and government to more fully address their rightful responsibilities in the development of international tourism trade.

The role of industry is to market its products and services to the consumer and to ensure that what was promised the consumer is delivered. The role of government is to develop and maintain an environment in which industry can market its products and services free of barriers and other obstacles which limit industry's competitive opportunities. The Tourism Policy and Export Promotion Act of 1989 achieves this objective.

TOURISM FOUNDATION

Thirdly, the inclusion of a provision establishing a tourism foundation is long overdue. Countries like Ireland and the United Kingdom have successfully operated such promotional organizations for many years. These bodies have effectively drawn on the investments and cooperative support of private industry to enhance the competitive position of their respective nation's travel industry. They have further guaranteed the ability of their nations to compete government-to-government while facilitating the ability of the industry to market its products and service retailer to consumer.

There are, however, two reservations I have about this provision of the bill. The first is that the foundation should not, by its organic legislation, be limited to rural tourism. Clearly, growth and development of tourism in rural America is important to the economic revitalization of rural America and to the competitive potential of the United States as an international travel destination. But because rural America is really in its infancy in terms of its evolution as both a domestic and international travel destination, the ability of the foundation to realize the financial support needed for trade development initiatives focused only on rural America will be very limited.

Further, as the United States Travel and Tourism Administration (USTTA) has learned through its regional cooperative initiatives with the states, it is essential that there be as broad a mix of travel industry elements as possible participating in each trade development initiative. Another important lesson USTTA gleaned through its recently completed rural tourism study is that travelers to rural America come by way of urban gateways. The rural experience is an increasingly popular one for both domestic and international travelers, but it must be part of a larger mix. A promotional foundation like the one envisioned in Section 8 of the bill must have the ability to address the entire mix. To limit the foundation's scope would be to limit its potential for success.

As an alternative, the Subcommittee may wish to broaden the mandate of the foundation, but establish as one of its highest priorities the promotion and development of rural tourism.

My second reservation about Section 8 is that the operational responsibilities of the foundation are not fully delineated. I understand that this provision was drawn largely from the law creating the National Park Foundation. But the Subcommittee should be aware that the National Park Foundation has, over its life, served largely as a "long arm" between the private sector and the National Park Service; receiving the gifts and contributions of parties sympathetic to the mission of the Park Service and then transferring the property or its monetary value to the Park Service to support specific programs. The foundation has served no actual operational purpose except as a trustee.

It would seem that the Subcommittee's purpose in proposing a promotional foundation would be to actually raise the investment from industry and other cooperative partners and then execute trade promotion programs in behalf of the United States in much the same way a metropolitan convention and visitors bureau operates in behalf of a city, or -- to cite the earlier comparison -- the Irish and British Tourist Authorities operate in behalf of their nations.

To achieve this end, the Subcommittee may wish to organize the foundation as a 501 (c) (6) non-profit, or examine the mechanism by which the U.S. Department of Agriculture carries out its commodities promotion programs within both the Foreign Agriculture Service and the Agricultural Marketing Service. Both programs are extensively supported by the cooperative investments of industry. The Subcommittee may also wish to review legislation offered by Congressman Ike Skelton in the 100th Congress which sought to establish a foundation to support the trade development efforts of USTTA.

COORDINATION AND POLICY CLARIFICATION

Section 10 of the proposed legislation offers, as noted earlier, the opportunity to reposition USTTA as an integral part of the Federal Government's trade development mechanism, as does Section 7. These are both very worthwhile provisions. In the case of Section 7 it reinforces what has been for the past several years a very successful relationship between USTTA and the U.S. & Foreign Commercial Service.

With the conversion of USTTA personnel to the Foreign Service, the opportunities for cross-pollenization and increased cooperation between USTTA and other Foreign Service agencies, including the U.S. and Foreign Commercial Service, will be enhanced.

The requirement in section 10 that other Federal agencies more fully participate in the operation of the interagency Tourism Policy Council is excellent. The Subcommittee may wish to add the Secretaries of Education and Labor, the U.S. Trade Representative and the Administrator of the Environmental Protection Agency to the membership of the Council.

To further enhance the effectiveness of the Council, the Subcommittee also may wish to consider realigning the Council so it plays a substantial role in the Federal interagency review of regulations and laws affecting trade, transportation, natural resource management, historic preservation, economic development, and diplomatic and economic policy as it relates to the travel industry.

Under the auspices of the Policy Council, working groups could be mandated to review and make recommendations on Federal proposals which directly and indirectly affect the ability of America's travel industry to compete domestically and internationally. The recommendations of these working groups should then be submitted to the full Policy Council for review. In turn, the Policy Council, through the Secretary of Commerce, should forward its recommendations to the President's respective cabinet councils for consideration and action.

MONTHLY STATISTICAL REPORT

Section 4 as it is written would place an onerous burden on USTTA which it could neither afford at current funding levels, nor execute logistically. To triple the reporting requirements of the agency would at least triple the current research costs of the agency -- from approximately $1.2 million to $4 million. Further, because USTTA relies on Banco de Mexico and Tourism Canada to provide significant portions of the information contained in these reports, both Canada and Mexico would have to cooperate. It has been and continues to be a major challenge for USTTA to obtain accurate, useful data from these two research partners on a quarterly basis. The ability to obtain this data on a monthly basis cannot be guaranteed.

The proposal to require monthly reporting of international tourism receipts and expenditures grows out of a concern that Federal policy makers don't fully appreciate the economic impact of the travel industry. However, that is only a part of the problem. The real issue is that policy makers don't appreciate fully the impact of the entire service sector of the nation's economy. Tourism's economic activity must be reported in the context of the entire service sector. Unless the Congress is going to mandate monthly reporting of all service sector industries, there is virtually no benefit to be gained by mandating monthly reporting of tourism data only.

As an alternative, the Subcommittee may wish to consider requiring that when the current account (which includes the trade activity of the service sector) is reported quarterly, that the Secretary of Commerce makes specific mention of the tourism trade balance. With tourism representing America's largest source of export revenue, and now the only surplus in the service sector, it is wrong for the Commerce Department to ignore the industry altogether while, for example, placing so much emphasis on the volume of international investment by the Japanese in the United States.

Another consideration the Subcommittee could make is to require, as they have proposed in the case of the U.S. and Foreign Commercial Service, greater cooperation and coordination between USTTA and the Commerce Department's Bureau of Economic Affairs, the Labor Department's Bureau of Labor Statistics, the Department of Transportation's Center for Transportation Information, Transportation System Center, and the Office of Management and Budget. At the present time each of these agencies either produces a competing research product, or is relied upon by USTTA for concurrence or support in producing its own research products. The levels of cooperation and their willingness to coordinate with USTTA are spotty. In addition, there seems to be an on-going effort by the various agencies to undermine the credibility of USTTA's research program. This may, in fact be an issue warranting special study by the Subcommittee.

AUTHORIZATION

No one can dispute the importance of passing an authorization for USTTA. However, the Subcommittee must be careful that in proposing an authorization it is not establishing a paper trail that will produce more pain than comfort for an agency already grossly underfunded by comparison to other national agencies responsible for international trade in tourism.

The funding levels proposed in the bill are equivalent to those at which the agency operated in the mid-70s. With inflation and the valuation of the dollar in mind, the proposed funding levels would actually reduce by at least half the funding the agency had at that time.

It would be better to take the authorization out of the bill, or set it at a level equal to anticipated income from some form of facilitation fee than to set it at the levels proposed.

Of course the principal reason for having an authorization is to ensure the continued existence of USTTA, and the principal reason for having the agency is to ensure the competitiveness of the American travel industry in the international market. But one of the biggest factors affecting the competitiveness of the United States as a travel destination is price. One of the biggest factors affecting the price of American travel services is the amount of taxes and user fees which individual enterprises and consumers of industry services pay.

The fees and taxes paid by the industry and its consumers should be dedicated and used for the needs of the industry. Yet of the tens of billions of dollars collected for the highway trust fund, the airport/airways trust fund, and the Customs Service along with Park Service entrance fees, room taxes, excise taxes etc., only a small portion ever makes it way back to build and maintain roads, improve the aviation system, facilitate the inspection and processing of foreign visitors through gateway airports, protect public recreation facilities, or support the tourism trade development efforts of the Federal Government.

As a concept, user fees, facilitation fees, etc. are important revenue raising devices for those activities and programs which may not rank among the constitutional priorities of the government. But imposing these fees and then denying their use to support and assist the purposes for which they were secured is a breach of the public trust. If these fees are going to be collected, then they must be made fully available to support the efforts for which they are extracted, including funding at the $30 million to $50 million level for USTTA.

CONCLUSION

The American travel industry is a marvel of economic strength. Over the past decade, the industry has created more meaningful jobs, generated more tax revenue, and stimulated more economic growth than virtually any other industry in the United States and around the world.

This economic powerhouse needs and deserves the complete cooperation of the Federal Government and policy makers at all levels. The Tourism Policy and Export Promotion Act of 1989 is a significant catalyst towards that end. It is a solid piece of legislation which, with minor modification, has the potential of ensuring that the U.S. travel industry, provided it fulfills its role in appropriate policy centers, will be recognized, understood, and appreciated for its contribution to the domestic vitality and the international competitiveness of the American economy.

Thank you again for your support and interest in the affairs of the U.S. travel industry. Thank you too for considering the views presented in this letter. If I can be of additional assistance to the Subcommittee in its deliberations, please do not hesitate to contact me.

Cordially,

Eric C. Peterson

cc; U.S. Senator Conrad Burns
- Mr. Jonathan Linen

STATE OF FLORIDA

LIEUTENANT GOVERNOR BOBBY BRANTLEY
SECRETARY OF COMMERCE

October 17, 1989

Honorable John D. Rockefeller, IV
Chairman
Subcommittee on Foreign Commerce and Tourism
United States Senate
428 Hart Senate Office Building
Washington, D.C. 20510

Dear Senator Rockefeller:

On behalf of the State of Florida, thank you for highlighting the importance of tourism to our country's economy through the Tourism Policy and Export Promotion Act.

As Lieutenant Governor and Secretary of Commerce, my office, through the Division of Tourism, coordinates our state's tourism efforts. In Florida, the tourism economic impact accounts for $24 billion a year. It is by far our largest industry, and employs over 630,000 Floridians. International tourism plays a vital role in the economy of our state and country.

Thank you again for your support of the USTTA and its programs to increase tourism to the United States. We look forward to working with you on this legislation.

Sincerely,

Bobby Brantley

Bobby Brantley
Lieutenant Governor
Secretary of Commerce

BB/TD/jcr

GOVERNOR WALLACE G. WILKINSON
CAPITOL
FRANKFORT, KENTUCKY 40601

October 20, 1989

The Honorable John D. Rockefeller, IV
Chairman
Subcommittee on Foreign Commerce and Tourism
Committee on Commerce, Science and Transportation
United States Senate
428 Hart Senate Office Building
Washington, D.C. 20510

Dear Senator Rockefeller:

The Tourism Policy and Export Promotion Act of 1989 is a vital piece of legislation for our country's tourism future, and I commend you for your introduction of this significant bill.

Tourism is a major export for the United States and plays a crucial role in our country's balance of trade. The state of Kentucky and its tourism industry recognize this fact and strongly support the intent of your legislation, particularly the reauthorization of the United States Travel and Tourism Administration.

Congratulations for your introduction of this legislation and please count on our support for its passage.

Sincerely,

Wallace G. Wilkinson

WGW/DL

NATIONAL GOVERNORS' ASSOCIATION

Terry E. Branstad
Governor of Iowa
Chairman

Booth Gardner
Governor of Washington
Vice Chairman

Raymond C. Scheppach
Executive Director

Hall of the States
444 North Capitol Street
Washington, D.C. 20001-1572
Telephone (202) 624-5300

October 24, 1989

The Honorable John D. Rockefeller IV
Chairman
Subcommittee on Foreign Commerce and Tourism
Committee on Commerce, Science, and Transportation
United States Senate
428 Hart Senate Office Building
Washington, D.C. 20510

Dear Senator Rockefeller:

My thanks to you and the cosponsors of the Tourism Policy and Export Promotion Act for your leadership in highlighting the importance of tourism to our country's economy. As a former Governor, you know how many Americans depend on jobs created by this industry, and how important tourism is to the development of international goodwill.

The National Governors' Association strongly supports reauthorization of the U.S. Travel and Tourism Administration and welcomes the many new approaches you have incorporated in your bill. I am particularly intrigued by the idea of a Tourism Foundation; public/private partnerships of this type are key to strengthening our global competitiveness.

We look forward to working with you on this important bill.

Sincerely,

Terry E Branstad

Governor Terry E. Branstad

NATIONAL
GOVERNORS'
ASSOCIATION

Terry E. Branstad
Governor of Iowa
Chairman

Booth Gardner
Governor of Washington
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October 24, 1989

The Honorable John D. Rockefeller IV
Chairman
Subcommittee on Foreign Commerce and Tourism
Committee on Commerce, Science, and Transportation
United States Senate
428 Hart Senate Office Building
Washington, D.C. 20510

Dear Senator Rockefeller:

Congratulations on the introduction of the Tourism Policy and Export Promotion Act of 1989. It contains a wealth of excellent ideas and, most important, focuses on the vital contribution of tourism to America's international economy.

Overall, international tourism was our largest export in 1988. At the state level, the contributions of the tourism industry to our citizens' well-being is by no means abstract. In thirty-seven states, travel and tourism is the first, second, or third largest employer.

I am looking forward to testifying before the Subcommittee on the details of the legislation. But on the occasion of the introduction of the bill, I want to commend you for the provisions which reauthorize the U.S. Travel and Tourism Administration, call for greater attention to tourism concerns in international negotiations, encourage public/private partnerships to promote travel to our country, and provide much-needed assistance to in-coming tourists.

It will be my privilege to work with you on the legislation. I am committed to informing the Governors of your efforts and to urging strong support for them.

Sincerely,

Governor John Waihee
Vice Chairman
Committee on International Trade
and Foreign Relations

NATIONAL
GOVERNORS'
ASSOCIATION

Terry E. Branstad
Governor of Iowa
Chairman

Booth Gardner
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October 24, 1989

The Honorable John D. Rockefeller IV
Chairman
Subcommittee on Foreign Commerce and Tourism
Committee on Commerce, Science, and Transportation
United States Senate
428 Hart Senate Office Building
Washington, D.C. 20510

Dear Senator Rockefeller:

As you introduce the Tourism Policy and Export Promotion Act of 1989, I want you to know that I strongly support your efforts. It is a source of pride to me that Senator Kasten is a co-sponsor of the legislation.

The National Governors' Association adopted policy at our annual meeting that is fully consistent with the key principles of your bill: that tourism should be recognized as a major component of the United States' economy, that it is an important U.S. export, and that the U.S. Travel and Tourism Administration should be reauthorized. I am enclosing a copy of our policy for your information.

Governor Waihee plans to testify at your October 26 hearing. At that time, he will provide our detailed comments on the bill. In the meantime, I want to congratulate you for introducing this important legislation.

Sincerely,

Tommy G. Thompson

Governor Tommy G. Thompson
Chairman
Committee on International Trade
and Foreign Relations

Enclosure

cc: Senator Robert W. Kasten

STATE OF MICHIGAN
OFFICE OF THE GOVERNOR
LANSING

JAMES J. BLANCHARD
GOVERNOR

October 26, 1989

Honorable John D. Rockefeller IV
Chair
Subcommittee on Foreign Commerce and Tourism
Committee on Commerce Science and Transportation
United States Senate
428 Hart Senate Office Building
Washington, D.C. 20510

Dear Senator Rockefeller:

You are to be commended for introducing the Tourism Policy and Export Promotion Act of 1989, and focusing the attention of Congress on the importance of tourism in our economy.

Tourism is a major industry in Michigan that contributes significantly to employment and growth. During the past several years, I have focused additional resources on tourism because of its potential to promote economic development.

Tourism is also important for economic development in the Great Lakes, and the region's Governors have begun development of a joint marketing strategy to promote the region.

I believe the Federal government can assist our efforts and your legislation reauthorizing the U.S. Travel and Tourism Administration is a meaningful step toward this end.

Thank you again, and best wishes.

Sincerely,

James J. Blanchard

JAMES J. BLANCHARD
Governor